No.30,968

Tuesday October 10 1989

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World News

France calls for World Park in **Antarctica**

French Prime Minister Michel Rocard called for Antarctica to be declared a world park to protect its fragile environ-ment and ecologists said they wanted a total ban on mining in the frozen continent.

M Rocard told diplomats at the start of an 11-day meeting that the earth's coldest continent must be preserved for world science. Page 2

Bush praised US President George Bush's handling of the falled coup attempt against General Man-ual Noriega of Panama was generally backed by the American public, a public opinion poll revealed. Page 6

Lee to step down Singapore Prime Minister Lee Kuan Yew said he will step down and hand over pewer to his deputy, Goh Chok Tong, by the end of next year.

China retaliates

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China started refusing to accept repatriation of illegal immigrants from Hong Kong in what could be retaliation for the colony's refusal to return a Chinese smimmer being feted by overseas Chinese dissidents. Page 4

Disaster averted A Boeing 727 landed safely in Paris missing one wheel after losing part of its undercarriage on take off from Algiers.

Rebels kill 100 Mozambican right-wing rebels said they had killed about 100

soldiers in an offensive aimed at forcing the Government to hold direct peace talks. Mubarak warned A leader of the radical Pales-

timian guerrilla group, the Popular Front for the Liberation of Palestine, warned Egyptian President Hosut Muharak that he could suffer the same fate unless he abandoned his Mid-

dle East peace campaign. **UN warns West** UN Secretary-General Manfred Wörner rebuked Western governments for easing off on

defence and said a dramatic

improvement in East-West relations could not mean "cut-

Pope visits Jakarta The Pope arrived for a six-day visit to Indonesia, which has the largest Moslem population

Anti-drugs push

The presidents of eight Latin American nations, the world's main cocame producing countries among them, meet this week in search of a common strategy against drugs.

Typhoon kills 50 At least 50 people were killed as raging flood waters from Typhoon Angela swept away homes in the Philippines.

Burmese hijacker

Two Burmese students who hijacked an airliner to Thailand to demand an end to political repression at home will stand irial in Bangkok and not be repatriated.

Journalists strike

Journalists on the Daily Telegraph in London launched an immediate 36-hour strike last night after mans announced plans for 33 redundancies and new contracts covering seven-day working.

Business Summary

ICI to sell part of US drug interest for \$450m

IMPERIAL Chemical Industries is to sell its US non-prescrip-tion drug business to a joint venture between Merck and Johnson & Johnson, two big US pharmaceuticals compa-

The deal, worth more than \$450m, will be effected partly by a cash payment, believed to be between \$350m and \$400m. Page 21

EUROTUNNEL, Anglo French Channel tunnel group, defended its handling of the crisis brought on by rapidly rising construction costs, denying it was involved in a row with its contractors. Page 21

EC merger control: Britain is to propose a "two-tier" sys-tem of European Community merger control in an effort to avert stalemate over the Euro-pean Commission's long-stand-ing demand for power to vet large deals in advance. Page 20

AUTOMOBILE Association, UK motoring, travel and insur-ance group, is to axe sales of overseas air-charter package holidays with the loss of 500 jobs in response to the slump in package holiday bookings for next year. Page 9

HONG Kong Airport:Plans for Hong Kong's new two-run-way international airport, to be located at Chek Lap Kok west of the island of Lantau, are likely to be approved by the colony's executive council today. Page 4

PECHINEY, world's third largest aluminium producer, threatened to scrap a planned the European Commission clears it from allegations of illicit state aid. Page 8

VALLOUREC, formerly lossmaking French producer of steel tubes, produced a more than fourfold increase in first half profits, on turnover up 21 per cent to Fr4.35bn (\$678m).

MFISU: Ireals: Government has formally permitted the Japanese group to withdraw from the ill-fated Bandar Khomeini petrochemical plant joint venture after it paid a eparation fee" of Y120hn (\$845m), Page 7

ALFA-Laval, Swedish dairy equipment and process engi-neering group, reported a 51 per cent rise in profits to SKr79im (\$122m) for the first eight months of 1989. Page 24

AKER, big Norwegian indus trial group, reported pre-tax profits, before financial items, in the first eight months of this year more than sevenfold to NKr391m (\$56.2m) from

NKr51m. Page 24 **BANCO NACIONAL Ultra**marino of Portugal has been asked by the Bank of France to take over management control of Paris based Banque Franco Portugaise because it was not being managed under normal conditions. Page 24

TELERATE, US company which provides on-line finan-cial data to the financial markets, said it was negotiating with American Telephone & Telegraph to buy its 50 per cent of a joint venture to develop a foreign exchange trading service. Page 23

ROVER GROUP, British motor namfacturer, is developing a high-performance, luxury coups aimed primarily at North American markets, which is being designed inde-pendently of Honda. Page 20.

EC accounting: the UK's three main accounting bodies have suggested a Europe wide mech-anism for setting accounting standards in draft proposals that have stirred a row between big accountancy firms and professional bodies. Page

STOCK INDICES

3-month interbank

'closing 14基% (14聲)

FT-SE 100:

Sterling falls below DM3 despite interest rate rise

only days after the British Government raised interest rates to prop up the currency.

Despite the base rates rise to 15 per cent, sterling fell 5% pfennigs through the psycho-logically important DM3 barrier to DM2.9750, its lowest level against the D-Mark for 21 months. The fall followed a bout of substantial selling in

the morning. Although officials insisted Attrough officials insisted that Britain was maintaining a tight monetary policy, yesterday's drop in sterling underlined the difficulties facing Mr Nigel Lawson, the Chancellor of the Exchequer, in maintaining a firm and stable exchange

The fall in the exchange rate is another blow to Mr Lawson, who was yesterday writing his speech to be delivered on Thursday at the Conservative Party's annual conference in Blackpool Last Thursday he ordered a rise in interest rates in part to bolster the pound's value on the foreign exchanges.

Analysis said they did not think the Government was pre-

pared to raise interest rates again and so risk pushing the British economy into recession. This reduced the attraction of the pound to foreign investors.

The sharp decline in sterling against the D-Mark unsettled UK financial markets, with share and Government stock prices falling. The FT-SE 100 Share Index closed 30.5 lower

STERLING dropped sharply on at 2,247.0, and long-dated gilt-edged prices were off a

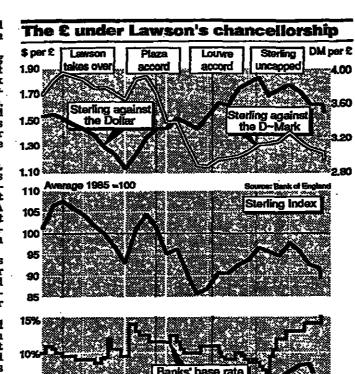
point at the long end.
The political discomfit facing the Conservative government was emphasised as the Halifax Building Society, Britain's largest provider of home finance, yesterday said that it would raise the cost of mortgages from 13.5 per cent to 14.5 per cent in the wake of the base rates rise.
The rise in the Halifax rate,

which becomes effective for its 1.6m borrowers from November 1, brings it to its highest level since November 1981. A borrower with an endowment mortgage of 260,000, for exam-ple, will have to pay an extra 243 a month.

The high cost of mortgages is expected to depress further consumers' expenditure and the housing market and expected to herald difficult times for

the housing industry. Yesterday's fall in the pound came after damaging reports in the weekend press that the rift between the Chancellor and the Mrs Margaret Thatcher's personal economic adviser, Sir Alan Walters, had reopened. News of the opposition Labour Party's lead in the opinion polls also unsettled the market. The Treasury strongly denied reports of a rift between Mrs Thatcher and Mr Lawson. It said that the Prime Minister and Mr Lawson fully agreed on the need to raise interest rates

Sir Alan had attended all



he certainly did not dissent from the decision, the Treasury Both Bank and Treasury offi-

1983

Chancellor faces difficult test; Lawson decides to ride out accident waiting to happen; Halifax raises rates; AA axes jobs, Page 9; Lex, page 20.

Inflation

GM, Jaguar discuss joint ventures

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS of the US, the world's largest car maker, confirmed last night that it was considering taking a minority stake in Jaguar, the UK inxury car maker.

The GM move came three weeks after Ford of the US trig-

gered hectic trading in Jaguar shares with an amouncement that it planned to buy up to 15 per cent of Jaguar with the intention of becoming a "major Jaguar, which is seeking to preserve its independence and

to fight off the "unwelcome" Ford initiative, said last night that it was in discussions with GM "concerning the possibility of the two companies entering into certain manufacturing, marketing, and other commercial joint ventures." Jaguar said GM was considering tak-ing a minority interest

This statement came after the close of stock market trading in London. The company's share price had fallen by 46p on the day to close at 685p. Dealers said the market feared that an agreed GM stake might incline Ford to back away from an auction for the company. It is understood that the two companies have been in discus-sions for about nine months as part of Jaguar's campaign to ensure its independence follow-

ing the expiry of the UK Government's so-called golden share at the end of 1990. Earlier parallel talks with Ford came to nothing when Ford made clear that it wanted to take majority control. At present Jaguar's articles of association limit individual shareholders to a maximum stake of 15 per cent. This limit

ment consent and the approval of a 75 per cent majority of of a 75 per cent majority of Jaguar shareholders.

Unlike the Ford initiative, which caught Jaguar by surprise, the GM move is being made with the backing of Jaguar's management. GM stressed that it was only constituted to the control of the control of the control of the central of the cent

sidering a minority stake in line with Jaguar's wishes.

GM is thought to be siming to make a more detailed announcement of its plans

early next week, on the eve of the London motor show, It is understood that GM is studying how to inject new equity capital into Jaguar, although a corresponding issue

of new shares is complicated by the constraints of the Jag-uar articles and the rights of existing shareholders. At present Jaguar has per-

mission to issue only 9m new shares or some 5 per cent of the equity without seeking the approval of shareholders. In the short run it is thought

that GM would only be seeking to take up to 15 per cent and that Jaguar is not seeking early removal of the Government's blocking golden share.

GM is thought to want to increase its stake to about 25 per cent, but no more than the trigger a full bid, at a later date. Such arrangements would only provide a fragile defence of Jaguar's indepen-

continue its pursuit and mount GM said last night that it had notified the US anti-trust authorities of its intention to take a stake in Jaguar. Lex; Page 20

dence, however, if Ford were to

Honecker says Communism must survive

By Leslie Colitt in East Berlin

MR Erich Honecker, the East German leader, yesterday com-pared the wave of protests in East Germany to China's prodemocracy uprising and warned that any attempt to undermine communism in his

country would fail.

In a meeting with a visiting Chinese delegation, he said East Germany would continue "undeterred to perfect socialism" under the watchword of "continuity and renewal."

The official ADN news agency said Mr Honecker told Mr Yao Yilin, visiting Chinese Deputy Prime Minister. "Any attempt by imperialism to destabilise socialist construc-tion, slander its achievements, is now and in the future nothing more than Don Quixote's futile running against the steadily turning sails of a windmill."

He was speaking less than two days after East Germany's 40th anniversary celebrations ended in fighting in the streets between security forces and thousands of people demand-ing political change.

The East German authorities were braced last night for renewed protest demonstra-tions in East Berlin, Dresden and Leipzig. Thousands of people in Leipzig were gathering at Nikolai Church where the regular Monday evening services become a focus for reform debates. Last week the service was followed by a protest march in the city centre,

broken up by the police.

Meanwhile, the first signs of dissent in the party leadership emerged yesterday when Mr Hermann Kant, a long-time party stalwart who is head of the East German Writer's Union and a member of the Central Committee, openly criticised the leadership for failing to address the real problems causing the exodus of citizens to the West.

He called the mass escapes and emigration a "defeat" for

Mr Kant attacked press propaganda which blamed West Germany for the exodus and called for "self-criticism" in an open letter to the Communist Youth newspaper, Junge Welt. His remarks were the first public criticism of the party leadership by a Central Com-

mittee member and reflected growing pressure from rank-and-file Party members for reforms. In East Berlin the second successive night of demonstra-

tions went on into the early

Party in Hungary completes change

Veteran Hungarian reformer Rezso Nyers, who led his country's Communist Party before it voted itself out of existence at the weekend, was yesterday elected President of the new Socialist Party by a nearly unanimous vote of a special party conference. His election, and the choice of a new party Praesidium with a solid reformist majority, completes the transformation to a Western-style socialist party com-mitted to pluralism. Page 20

hours of yesterday morning as several hundred young protest-ers were set upon by police and special Interior Ministry troops with rubber truncheons and water cannon.

More than 100 demonstrators were taken into custody, bringing the total number detained since Saturday night's demon-stration to more than 800, of whom nearly half were still in custody late yesterday. More than 100 protesters were said to have been injured in the latest skirmishes began when some 3,000 people gathered in East Berlin's Gethsemane Church for the evening service held to gain the release of political prisoners.

David Marsh in Bonn adds:

The West German Government yesterday accused the East German Government of brutally supressing pro-reform protests and formally protested about East German hindrance of West German journalists trying to report the distur-bances in East Berlin on Sun-

day night.

Mr Helmut Kohl, West German Chancellor, condemned the police crackdown and told reporters: "While the leadership celebrated with torch-light parades, goose-steps and mili-tary marches, the world witnessed the East German police and state security break u peaceful demonstrations with

He said the crackdown represented the "deep insecurity of the East German authorities. However, Mr Kohl said West Germany would be ready to provide help for East Germany provided the communist state decided to introduce thoroughgoing political and economic

can only be changed Govern-Fininyest builds Saatchi stake but denies plans for takeover

MR Silvio Berlusconi's ment for Fininvest, said the Fininest group revealed yes-terday that it had built up a shareholding of just over 1 per cent in Saatchi & Saatchi, the troubled international market-

ing group. Fininvest insisted. however, that it did not intend to mount a takeover bid. Saatchi, once one of the vorld's most successful marketing groups, has been haunted by takeover speculation in recent months. The reculation reached a peak on Friday when its shares soared in frenetic trading and Mr Ber-lusconi was mooted as a pro-spective bidder. Saatchi's shares rose again - by 9%p at 349%p - in London yesterday. Fininvest, the Milan-based holding company for Mr Ber-lusconi's media interests, said

it had acquired 1.75m Saatchi shares "for investment pur-poses" and that it had "no intention of seeking to acquire Mr Oliver Novick, an American-born executive who is in charge of corporate develop-

Saatchi stock had been bought in June and July through Gold-man Sachs in London and its own mutual fund in Italy. "We bought the shares for invest-

ment purposes because it seemed like a good idea."
Fininvest is believed to have spent just over £5m on its Saatchi stake which, at yesterday's share price, would be worth just over £6m. It sold a small amount of Saatchi shares

Mr Novick said Mr Beriusconi had "been contacted by any number of people who wanted us to launch a takeover of Saatchi." He added that Fininvest had not bought any Saatchi shares in the heavy

trading of recent days.
Fininvest, the master Berlusconi company, employs a workforce of 25,000 people and had
consolidated 1988 revenues of L8,000bn (\$5.8bn). Fininvest is wholly owned by the Berlus coni family although Standa, its retail subsidiary, is quoted on the Milan bourse.

Saatchi confirmed yesterday that it had been aware of the Berlusconi holding since Sep-tember when it issued a notice under Section 212 of the Companies Act. A Section 212 notice enables companies to identify the beneficial owner-ship of its shares.

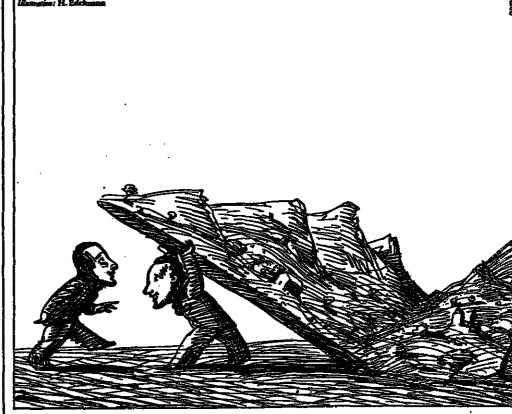
tchi leapt into the lime light in the mid-1980s by stag-ing a series of audacious acquisitions in the marketing sphere. It is now suffering from the slowdown in advertising growth in the US and UK. It has also encountered problem with its management consultancy interests.

The group is expected to announce a sharp fall in pre-

tax profits from £138m (\$220m) to about £75m when its results for the year to September 30 are published in early December. Saatchi is cutting costs at its agencies. The consultancy businesses have been up for sale since early summer but Saatchi is said to be finding it difficult to sell them. Lex, Page 20

mits Untangling the red tape on a

clogy: Prospects undimmed by slow



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MARKETS

we York MUCH \$1.576 \$1.579 (1.6025) DM2.975 (3.03) FFr10.1025 (10.28) SFr2.6975 (2.635) Y225.25 (228.75) £ Index 89.8 (91.4) GOLD:

New York: Comex Dec \$367.5 London: \$363 (363.25)

New York DM1.887 2,247.0 (-30.5) FT Ordinary: SFr1.646 1,822.9 (-34.9) FT-A All Shere: DM1.8845 (1.8915) 1,138.63 (-1.4%) FFr6.3975 (6.415) SFr1,6455 (1.645) FT-A long gift yield index high coupon: 9.75 (9.65) \$ index (70.3) Tokyo close: Y142.23 New York lunchile US LUNCHTUR DJ Ind. Av. 2,783,43 (-2.09) PATES Fed Funds 813% Tokyo: Nikkei # SEA OIL (Argus) 3-mo-Tressury Bille: yield: 7.818% Long Bond: 35,376.35 (+167.00) Brent 15-day Nov LONDON MONEY

yield: 7.994% MARKET REPORTS: CURRENCIES, Page 44; BONDS, Pages 25, 28; COMMODITIES, Page 36; EQUITIES, Page 37 (tondon), 46 (World)

CONTENTS Rising inflation in Brazil may be blessing in disquise As Brezil's Presiden-



tial election approaches, economists fear only the advent of hyper-inflation will prod politicians to tackle the entrenched interests which rendered President José Sarney's regime powerless Page 6

Editorial Comme

Editorial comments Thatcher's next task; The US tear of foreign capital The Commonwealths Time to dust off the Lexa Markets; Jaguar, UK mortgage rates Eurotunnel; Saatchi Survey: Technology Transfer ... Technology: The power of burning rubbish . 35 Financial Futures 44 Raw Materials
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Spanish start-up ...

commercial progress

EUROPEAN NEWS

debt servicing has been running at closer to 25 per cent of exports. Its problem is that most of this debt is

owed to Western governments.
Unlike the banks, which are being encouraged to write down their debts

under the new Brady debt initiative launched earlier this year, Western governments have never conceded

debt write-offs for export credit loans,

Saharan African countries.

The Paris Club is, however, willing to reschedule both principal repayments and interest. If this is done, it

means that Poland's debts will increase annually by the amount of interest it has left unpaid. In other

words, to keep its debt service burden even at the current untenable levels,

its exports will have to grow at a

faster rate than the rate of interest. Otherwise, it will never catch up.

except in the case of the poorest sub-

France launches protection plan for the Antarctic

By Ian Davidson in Paris

THE FRENCH Government yesterday publicly launched its proposal for an environmental protection system in the Antarctic, which it hopes would make the region a protected "Nature Reserve".

The main effect of the

French plan is effectively to override the Wellington Convention for the Regulation of Antarctic Mineral Resource Activities (Camra), which was concluded by the member states last year.

The convention would impose strict limits on mineral exploration or exploitation, but the French Government now believes that it would be better to ban any mineral explora-

The plan was proposed formally by Prime Minister Michel Rocard, when he opened the fifteenth consultative meeting of the 39 states which are signatories of the Antarctic Treaty.

The French proposal, which is being jointly sponsored by Australia, is that member states should hold a special negotiation on an environmen-

tal regime next year.

Mr Rocard said the negotiation should lay down the principles for regulating all human activity in Antarctica, set out

By David Goodhart in Bonn

WEST GERMANY'S far-right

Republican Party and France's far-right National Front have

announced closer co-operation,

after talks at the weekend in Munich, despite the traditional

anti-German feeling of the

French right and differences

means for preventing and cor-recting environmental damage, and establish permanent institations for the environment in

Antarctica. A number of important countries have already signed the Wellington Convention, including the US, UK, China and the Soviet Union.

The British Government is strongly committed to the convention, which took six years to negotiate, and it looks with a jaundiced eye on the French initiative.

French sources, however, claim that they now have tacit support at least from Belgium, Italy, India and Chile, and appear confident that the 10-day-long Consultative meeting will, in the end, agree to a new environmental negotiation in

Since decisions can only be taken by consensus, the brunt of the argument will be over the mandate for next year's

The first decision of the meeting was to admit three additional signatories to the inner circle of Consultative Parties which take decisions. The addition of South Korea, Finland and Peru brings the total number of Consultative

Poland takes Western agencies into new territory

Funding bodies are weighing the options in an unprecedented transformation, writes Stephen Fidler

S INCE THEY were presented with a dramatic plan of economic reform for Poland's beleaguered economy in Washington last month, Western economic policy makers have been considering what

should be their proper role in encouraging the transformation.

They recognise that time is not on their side. Yet the magnitude of the economic difficulties — which accordng to one senior monetary official in Washington surprised even the new government - calls for a response which they recognise may set precedents for others.

Officials from Western governments, the International Monetary Fund and World Bank, readily acknowledge that they are in uncharted waters. No other socialist country has attempted so deep and so country has attempted so deep and so rapid a transformation to marketbased economy. So although the EC, the US and others have started to earmark funds for the Poles, they have not moved far in identifying

where the help should be directed.

The questions under consideration cover how much financial support Poland needs from the West and what is the best way to provide it, what kind of technical, financial and managerial know-how will be needed and, last, how might it be possible to draw a ring fence around Poland so that other highly-indebted countries do not claim equal treatment.

Poland's problems are intensified by its foreign debt, and the recogni-

tion that unless a large part of it is forgiven, Poland will never emerge. The country's hard currency for-eign debt amounts to about \$390n other middle-income debtors which would demand similar treatment. It has led to the conclusion that

except for loans from the IMF and World Bank, grants are the obvious way in which new Western funds will \$26bn to creditor governments grouped under the suspices of the have to be channelled into the country. Where this money should be Paris Club, \$9bn to the commercial banks and the rest to others, includ-ing Eastern bloc governments. applied and technical assistance is If Poland were to service all these debts, it would absorb 90 per cent of its export earnings. Instead, actual most needed, therefore depends on Poland's economic priorities.

In the short run, Poland's main Finance minsters of the European Community yesterday took the for-mal decision to guarantee Euro-pean Investment Bank loans for

pean Investment Bank loans for Poland and Hungary. Strictly speaking the EC initiative has yet to be endorsed by the EIB's board of governors — but since that comprises virtually the same people the final go-ahead is considered cartery. problem is to svoid the emergence of hyper-inflation. While some short-term aid will probably be required to cushion the impact, this is

being viewed as largely an issue of domestic monetary policy, preferably while the electorate's honeymoon with the new government remains.

The longer-term problems facing Poland, and one of the main questions for the foreign aid to address, sur-round the slow "supply response" most economists are predicting. It will probably be a long-time before any benefits show through to a population

that will grow increasingly impatient with no obvious signs of progress.

Forty years of risk aversion are not going to be transformed into entrepreneurial behaviour overnight. Polish progressions have in the restricted enterprises have in the past been able to elect not to pay taxes and have had guaranteed access to bank loans.

Low maintenance spending has led to deterioration of infrastructure and deep ecological problems which will inhibit economic growth.

Then there are the problems of unemployment and spare labour capacity in the wrong place. Many state emergrises will be closed down as loans to loss making enterprises from the banking system stop. The coal industry will have to be pared back. Yet, the resultant problem of unemployment and displaced workers will have to be addressed without a huge expansion in the budget deficit.

Very large cash balances have built up in the hands of the people. As moves are made towards a market

economy, demand has to be allowed to let off steam through imports, which preferably promote investment

rather than consumption.

One obvious target for Western sid, in the view of some officials, is therefore to help underwrite an unemployment and rehousing fund, taking pres-sure off the budget deficit. Many are keen also to see large

scale privatisations. This has the potential to do several things: encourage entrepreneurial management, divert cash balances from consumption into investment spending and provide a channel for foreign invest-ment. Debt-equity swaps could also help to reduce commercial debt bur-dens as well as bring in foreign investment and expertise.

In the words of the World Bank: Poland lacks the kind of financial intermediation system that promotes sound investment selection and financial discipline at enterprise level."

The lack of a developed financial system means there are essentially three investment alternatives for Poles: bank deposits, consumer goods or foreign currency. This array of choices must be expanded.

Bankers with the means to make commercial judgments are not made overnight, and here there is clearly a role for Western managerial advice, perhaps with the encouragement of joint ventures with Western financial

One problem already apparent is the potential for confusion if the west-ern response is not co-ordinated. Bilateral and multilateral initiatives threaten to overlap and confuse. Yet while there is no demand for a new international agency, it is not yet clear which of the existing ones has the wherewithal and the broad support to take over that role.

In this as elsewhere, Western officials are aware of the problems but less sure of the answers. "It's all new to us. I don't know what's going to happen," admitted one last week.

Western officials privately admit this is a severe quandary. While some concede debt forgiveness appears essential, if they grant it to Poland, then there would be an endless list of EIB aid to East bloc rebels 'will go to infrastructure'

By Tim Dickson in Brussels

THE FIRST loans to Poland

warms to National Front performed well in the recent communal elections in North Rhine Westphalia – winning more than 5 per cent in several Social Democrat ruled towns in the industrial Ruhr - there are growing doubts that they will attain the 5 per cent threshold required for Bundestag representation in the 1990 national election.

over the Italian-speaking minority in Austria. Mr Franz Schönhuber, the Republican leader, said the The Verfassungsschutz talks had gone "wonderfully"; but in his own backyard he has faced a series of controversies (Office for the Protection of the Constitution) has classified the Party as "extreme right wing" since the Republicans' first rather than unconstitutional success in the West Berlin elecbut has postponed a decision tions in January.

Although the party again on whether to keep a watching

Far-right German party

THE FIRST loans to Poland and Hungary from the European Investment Bank are likely to be targeted on infrastructure and industrial projects. Terms, conditions, and the overall scope of the EIB programme will be heavily infinenced by the "macro-economic" conclusions of the

nomic" conclusions of the International Monetary Fund. But an important feature of the operation will be close cooperation with, and possible co-financing alongside, the World Bank.

These points emerged from an interview with EIB presi-dent Mr Ernst-Gunther Broder and the bank's new British vice-president Mr Roger Lav-elle. They were their first pub-lic comments since the European Community announced its intention to make available up to Eculbn (2685m) in new loans for the two reforming Rastern bloc countries.

The money involved is part of a wider international aid

of a winer international and effort being co-ordinated in the West to help Poland and Hungary breathe new life into their economies – but the proposed EIB lending programme represents a significant new challenge for an institution whose chief activity is the pro-vision of long-term project finance for the already devel-

oped countries of the EC.

Created by the Treaty of
Rome in 1958 to finance capital investments on a non-profit
making basis, the EIB's main
purpose is to promote the "balpurpose is to promote the par-acced development of the European Community. It oper-ates as a bank, raising the bulk of its financial resources on world capital mar-kets - with the considerable

benefit of its Triple A rating

and lending most of its
money to projects in the lessfavoured regions of the EC.

The RIB already plays an
important role in implementation the EC.

ing the EC's development pol-icy, both under co-operation agreements with 12 countries in the Mediterranean region (including Yugoslavia), under the Third Lomé Convention with 66 African, Caribbean and Pacific countries, and through more ad hoc arrange-ments where projects are clearly identified as benefiting both a "third" country and member states. Of the bank's total Eculobn lent in 1988, around Ecu700m was to devel-

oping countries.

In both "models" member states of the EC, using the EC's own budget (for the Mediterranean countries) and the

directly-financed European Development Fund (for Lomé) provide significant sums of "risk capital" enabling the KIB to "soften" the terms and coa-

ditions of its loans. Mr Broder and Mr Lavelle insist that in the case of Poland the amounts which

will be advanced, the kind of projects and the conditions are still "completely open". "The kind of projects are undefined but we would tend to think as far as we are con-cerned of two sectors - infrastructure and industry – as being the first type of approach," says Mr Broder. Much will depend, they believe, on the ideas and thoughts of other institutions such as the IMF and the World

Says Mr Lavelle: "The World Bank has done a lot of think-

ing about the difficult process of transition to a market economy. We will certainly want to co-operate with them in general terms or through specific investments. We know them as a valuable partner in other regions of the world."

As for the IMF, Mr Broder explains that the EIB "is cer-tainly looking forward to get-ting its views as far as the

"We expect the IMF to pro-ceed quickly. We anticipate quite a fast pace which is what the Polish authorities want." The IMF's conclusions will

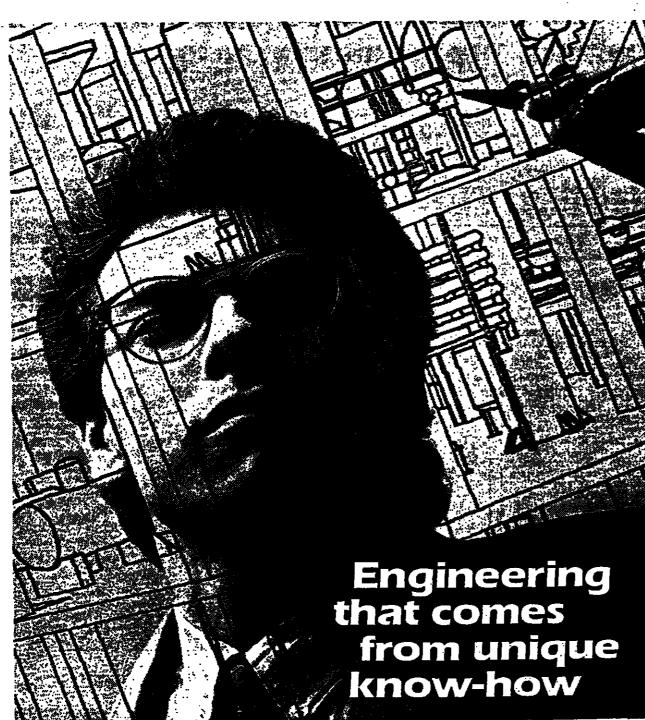
certainly be important in letermining the conditions of the Poland and Hungary programme – "we want to develop the instrument step by step and tailor make it", says Mr Broder – but the EIB president adds that the bank would expect to concentrate on "feasible and self-supporting projects".

Though Mr Lavelle stresses that at this stage "we don't know the mix" of lending from the KIB's own resources and any risk capital provided by the Community he clearly doubts whether the Lomé model - "where only some countries can afford to repay commercial loans" - is an appropriate one for the new

"What we are trying to achieve here is to turn a country with a lot of potential, resources, and educated workforce into a creditworthy country. The situation with Lome is not comparable. We need to be careful about transferring techniques from one continent to another."

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what companies do when they call on EMS-INVENTA to help realize their industrial projects. Behind this engineering company there is EMS, an important chemical enterprise that has been manufacturing high-quality tech-nical plastics and synthetic fibres for

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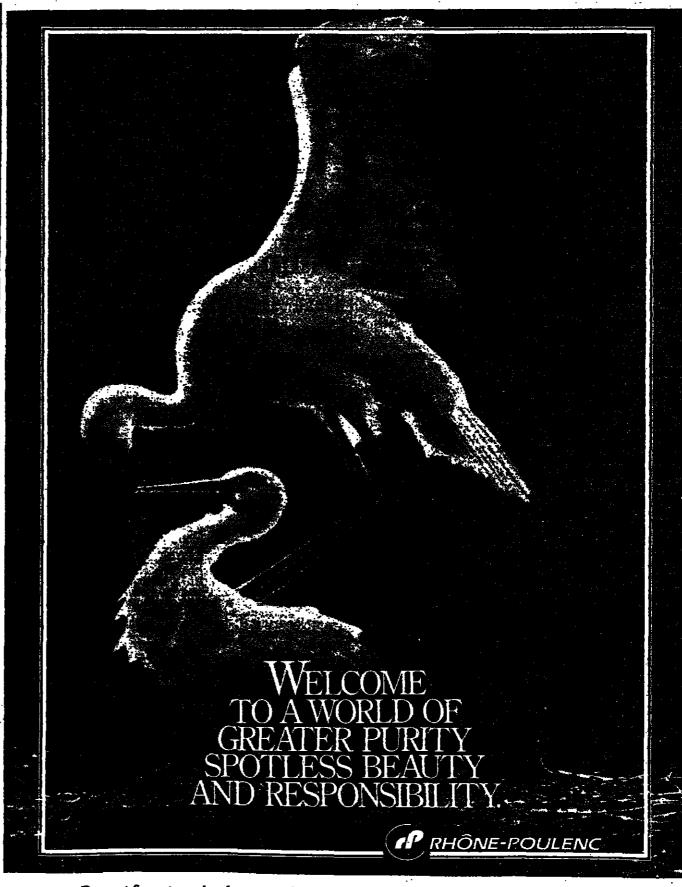
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EUROPEAN NEWS

Pechiney puts pressure on Brussels over smelter plan Portugal may limit

PECHINEY, THE world's third largest aluminium producer, has threatened to scrap a planned FFr4.5bn (£437m) plant unless the European Commis-sion clears it from allegations of illicit state aid by the end of the month.

Mr Jean Gandois, chairman of the French nationalised group, has said he will abandon the scheme unless the Commission rules against claims, lodged nearly a year

ago by British Steel, that the project intringes EC competi-tion rules, or at least decides that only minor changes are

The group has invested FFr600m in the early phase of the project, which would create 650 jobs in the high unemployment area of Dunkerque and be the group's biggest smelter, producing 200,000 tonnes of ahuminium annually. Mr Gandois has now decided that Pechiney cannot afford to risk more while the project's future is uncertain, say company officials. British Steel, backed by a West German tinmakers' association, complained to Brussels nearly a year ago that the plant was being offered electricity at an unfairly low price from a nearby nuclear power station owned by Electricité de France (EDF), the public utility. Threats of this sort are com-

the elections, he is trying now to lead the crusade.

El País, the prestigious Madrid daily newspaper, said yes-terday its research showed

that, yes, the Socialists are get-ting much more exposure on TV then the opposition and

that news about Spain was devoted in large part to what a wonderful and healthy place it

was. The truth, however, is that were more news time devoted to the opposition much of it would have to be negative simply because they are so weak and fractious.

According to most polls pub-

mon in rows over EC state aid rules. Yet this project is especially sensitive because it is EDF's first significant attempt to entice big industrial users to use up its surplus of nuclear generated electricity - the leg-acy of an over-ambitious power station building programme.

EDF officials say they are hoping for up to five similar deals and are already talking to "several" French and foreign companies, believed to

At Dunkerque, EDF would take a 49 per cent stake - with Pechiney taking the rest - in a management company that would provide the plant's working capital. EDF would sell power at a price based on its cheapest export rate, but this would rise with the plant's profits. The cash for construc-tion of the smelter itself would come from Pechiney plus insti-

include a leading Swedish tutional investors, who will be approached once a decision has come from Brussels.

In a separate move, Pechiney has announced a FFr560m plan to increase the capacity of a rolling mill at Neuf-Brisach in eastern France from 265,000 tonnes to 850,000 tonnes annually. This makes it one of the world's four largest mills, and it will process a large part of Pechiney's 360,000 tonne annual capacity.

foreign holdings in privatised companies

By Patrick Blum in Lisbon

PORTUGUESE Government is studying pro-posals to limit the influence of foreign investors in newly privatised companies. The aim is to help create a strong nucleus of Portuguese shareholders to ensure that important companies, especially financial institutions, remain in domestic

One proposal foresees privaone proposal foresees privatisations being undertaken in separate tranches with a prequalifying round during which the Finance Ministry would select an appropriate "hard nucleus" of Portuguese inves-

tors.
After the initial euphoria following spectacularly successful privatisations this year, the authorities have become con-cerned about the future ownership of companies. Each privatisation has seen strong demand from international investors, leading to fears that some large concerns could

come under foreign control. The outcry in some sections of the press about "the country being up for sale," is putting political pressure on Mr Anibal Cavaco Silva's Social Democratic Government, which is committed to selling off state

1975 revolution. It will shortly present new legislation to facilitate privatisations, but it also wants to safeguard Portuguese interests.

There is already a 10 per cent limit on the amount of shares foreign investors can buy in companies being reprivatised. This means a maximum foreign holding of 5 per cent because in each privatisation to date, only 49 per cent of shares were offered to the public. However, this will change next year as the Government sells its remaining stake in some companies and others come up for privatisation, including Banco Portugues do Atlantico, the country's largest

The Government's problem is that foreign groups have circumvent the 10 per cent limit by buying shares through local subsidiaries or making alliances with Portuguese com-

panies. Big foreign groups have gained significant positions in the part-privatised Banco Totta Acores and in insurers Alianca Seguradora, with the objective of winning representation on these companies management boards.

Dull, perhaps, but that's part of being a normal democracy

Peter Bruce previews a predictable Spanish election

AMPAIGNING begins today in Spain's fifth democratic election since the death in 1975 of General Francisco Franco. The election is being held on October 29 so what is about to happen will, mercifully, be brief. Prime Minister Felipe Gonzàlez's Socialist Party will win, probably, though not certainly, retaining its overall majority in the Cortes. The right-wing Partido Popular (PP) will come second, followed by either the communist Izquierda Unida (IU) or former Prime Minister Adolfo Suàrez's populist Cen-

Spanish Elections

tro Democratico y Social (CDS). Voters will turn out in fewer numbers than ever. But the result is not really the issue: whether to rejoice in or weep for the almost com-plete absence of ideas, idealogy, debate or even passion in Western Europe's youngest democracy three weeks ahead of an election is.

of an election is.

Aivaro GH Robles, the government appointed Public Ombudsman, welcomes the calm. Tm glad to say if, but I don't think Spain is the kind of place that foreign journalists can win prizes writing about any mere. We have become normal. The important thing is to be able 15 visit. If propole

to be able to vote. If people don't have any problems they may not bother."

The campaign will parody what many Spaniards and their liberal friends abroad once hoped Spanish democracy would be like. The par-ties - there are no individual candidates as such - will each try to buy votes. Like the good-marketing men they have become, the Socialists have

THE ELECTION for a new

President in Turkey is looming with no clear statement of intent from Mr Turgut Ozal, the Prime Minister, Parliament

votes on a replacement for President Kenan Evren on November 9 and formal decia-

rations of candidacy must be made in the next nine days. Only Mr Kasim Gulek, an

Only Mr Kasim Gulek, an octogenarian with a venerable political past but considered far too old, has put his name forward so far. Mr Ozal is increasingly likely run, however, despite the dismal rating in opinion polis of his ruling Motherland Party (ANAP) two years into a second term of government.

All he has said directly is that the next President will

that the next President will come from Parliament and probably from ANAP. However, last week he declared his eligibility in the mass daily newspaper Hurrlyst, and then ruled out choosing a candidate with either of the two other parliamentary parties, the main opposition Social Democratic Populist Party, and the True Path Party.

packaged themselves as airline packaged themselves as airline pilots – handsome, going slightly grey, dependable, technically superior and fatherly. Daddy, says the message, is going to take you flying.

The fact that they have been hurried into calling the election election method early by a tion eight months early by a deteriorating economy and the first hints of a fall in property

prices in the cities has been quickly forgotten. This was easy, for if the Socialists have become arrogant, aloof and even corrupt during their seven years in power, their opponents are to blame. Mr Suarez's years out of power have put so much distance between himself and reality that he now refuses to attend parliament unless Mr González is there as well. Mr Suárez, who will do anything for a vote, is proposing this time to scrap military service and to pay unemployed youths

a minimum wage.

The hard sell has already reached its apotheosis with Mr José Maria Ruiz-Mateos, the businessman facing fraud charges in relation to the expropriation of his Rumasa banking and industrial empire. He won two seats in the European Parliament, and this time is promising to ron Spain from the Basque country if he becomes Prime Minister.

Mr José María Aznar, the personable young man chosen by the PP's founder, the Franco-ist minister Mr Manuel Fraga, has said hardly a word about the economy so far. His manifesto promises to privatise practically all of the states industrial interests but it is hard to be sure he means it. Instead, Mr Aznar has quickly thrown himself into gim-

Last weekend he threatened not to stead at the head of PP electoral lists if the Government did not stop manipulatnewspapers that support him manipulate news all the time but enly 8 per cent of Spaniards read newspapers and with all the other opposition parties complaining about the state television's coverage of

in the 450-seat Parliament

wins on the third round of vot-

ing, when only a simple major-

It is unlikely that the elec-tion will go to its fourth and final round, which must be fol-lowed by a general election if there is no outright winner.

But Mr Ozal is likely to wait

until the very last day and probably the last hour before revealing his decision, accord-

ing to Mr Mehmet Kececiler, a leading contender for the premiership and ANAP chairman

ship in the event of an Ozal

Other possible replacements for Mr. Ozal as Premier and party chairman are Mr Ekrem Pakdemirli, the Finance and Customs Minister, Mr Hasan Celal Guzel, the former Education Minister Mr Hasan

tion Minister, Mr Husnu Dogan, the former Agriculture Minister, and the ambitious

young Foreign Minister, Mr Mesut Yilmaz

the party congress soon after Mr Ozal's elevation by Mr Kececiler, who leads the "holy alliance" of Islamic conserva-tives and right-wing national-ists which account for around

ists which account for around a quarter of ANAP's parlia-

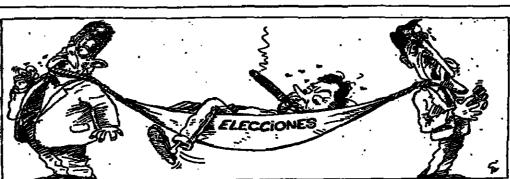
mentary group.

The latter is a favourite of the party's liberal wing, but would be vigorously opposed in

ity is required.

Ozal keeps his counsel on

presidential aspirations



Gallego & Rey in El País sum up the election: Gonzalez is centre, Fraga, left, and Suarez right

lished so far, the PP will win about 22 per cent of the vote, the CDS about 8 per cent, the IU, winning support in the large cities, could rise sharply to 10 per cent and the Socialists around 40 per cent. Mr Gonzàlez's ministers have made it clear that even if

they lose their overall major-

ity, they will rule alone. This could easily be done by buying off one of the smaller nationalist groupings in the Cortes,

The Socialists, though, are trying hard to hold onto the majority. For the first time, the party has instructed its the people on its electoral lists to

get on to the streets and campaign door to door. This will come as a great surprise to Spanish voters, most of whom have never had an opportunity, under the pro-portional representation sys-tem, actually to talk to the people who are supposed to

The introduction of new technology, along with

language: Information.

customer demand for more sophisticated information management services, is breaking down barriers and moving the world towards a universal

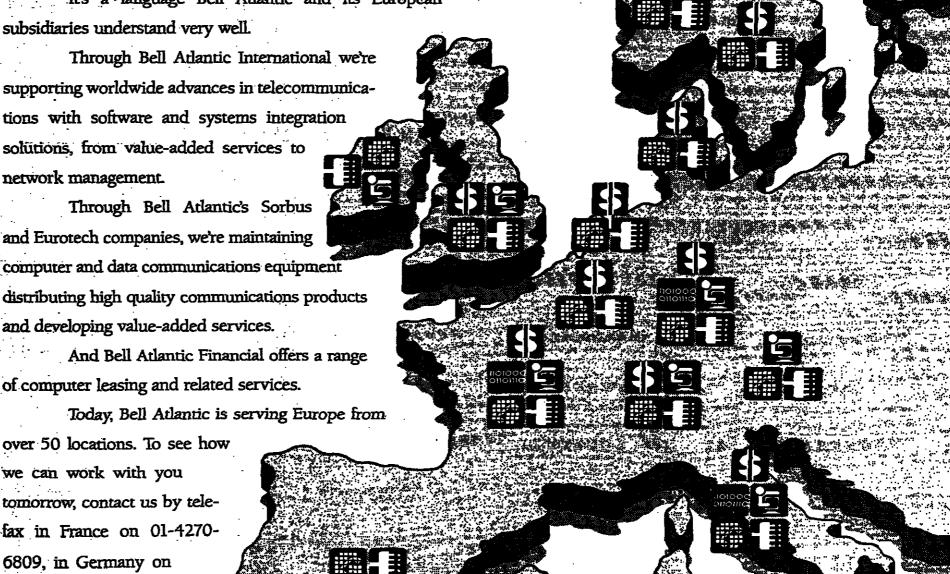
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Bell Atlantic We're More Than Just Talk.

13.5 per cent in a recent poll. The Government's 209 seats FINANCIAL TIMES

True Path Party.
They have threatened to boycott the process, accusing ANAP of not having a significantly popular mandate any-

more. Its support shrank to

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Yugoslav call for multi-party system

Opposition groups in Yugoslavia have called for a multi-party democracy and an amnesty for all political prisoners, the Yugoslav news agency Tanjug said yesterday, Reuter

About 30 members of groups from Slovenia, Croatia and Serbia, meeting in the Slovenian town of Otocec ob Krki on Sunday, also called for the offence of slandering the state to be abolished, Tanjug said. A score of opposition groups have sprouted up, particularly in Slovenia and Croatia, over

the past year.











By Victor Mallet

PRESIDENT Saddam Hussein of Iraq has sacked his Finance Minister and his acting Agri-culture Minister, highlighting the strains on the Iraqi exchequer as the country attempts to implement economic reforms, rebuild its industry and manage its foreign debt. Mr Hikmet Mukhalif was dis-

missed from the Finance Ministry at the weekend and replaced – for the time being – by Mr Mohammed Mehdi Saleh, a fellow-reformist who will also retain his existing post of Trade Minister. Mr Saleh is due in London in a

No one has yet been allo-cated the agriculture portfolio following the dismissal of Mr Abdullah Badr Danouk. Presi-dent Saddam demoted Mr Mukhalif to a post in the Plan-ning Ministry and Mr Danouk

to a teaching position.

The Iraqi news agency, which announced the sackings, gave no reasons for the decision, but debt management and the poor state of Iraqi agri-

and the poor state of fragings; culture are two big difficulties faced by the leadership after the war with Iran.

Iraq's foreign debt is esti-mated at between \$550n and \$80bn and food imports cost some \$2bn a year. Repayment arrears and the reluctance of foreign companies and govern-ments to make further commitments to make further commit-ments have begun to hamper President Saddam's ambitious industrial development plans. Mr Mukhalif is known to

have wanted to tackle economic problems openly, and he was in favour of publishing economic statistics which have hitherto been kept secret. But he seems to have been unable to resist demands for

higher spending from his superiors, leaving him with budget and current account deficits, high inflation, and an ever-increasing debt burden. According to one theory, Mr Mukhalif was too frightened to tell the President that Iraq could not afford all the projects it was

Mr Mukhalif and Mr Danouk may in any event be useful scapegoats for President Saddam, who frequently reshuffles his technocratic ministers. is technocratic ministers. many payments are in any Iraqis complain bitterly case made in cash or oil.



Saddam: ambitious plans

about the high prices which have accompanied farm privatisation and economic liberalis-ation. The Finance and Agri-culture Ministries also figured in the scandal involving Banca Nazionale del Lavoro of Italy and the granting of \$30n of credits for Iraq by the bank's branch in Atlanta, Georgia. Britain, meanwhile, unde-

terred by Iraq's debt crisis or the detention in Iraq of a British nurse and a journalist for The Observer, is sending Mr John Wakeham, the Energy

Secretary, to Baghdad at the end of this week.

Mr Wakeham is leading a delegation of UK companies – including British Petroleum, British Gas and British Steel – attending an oil, gas and petrochemical seminar.

Britzin continues to provide Britain continues to provide credit lines for exports to Iraq and is a favoured creditor nation when it comes to repayment. In the vital oil sector,

Rafsanjani proposes sale of state-owned factories

By Kamran Fazel in Tehran

THE Iranian Cabinet has proposed that state-owned fac-tories should be sold to the private sector and should be allowed to borrow abroad in a bid to revive the country's

shattered industry.

President Ali Akbar Hashemi Rafsanjani said on Iranian television on Sunday that the proposal to sell factories to the private sector - with their own employees receiving prior-ity - would be included in a revised five-year plan to be presented to the Majlis (parliament) next week.

The President gave no details. But candidates for privatisation would include scores of factories nationalised by the Islamic Republic after the 1979

It is doubtful whether the Government will easily find buyers for these plants, which have been poorly managed and suffer from persistent shortages of spare parts and raw

Mr Rafsanjani admitted recently that Iranian industry is working at between 20 and 30 per cent of capacity. Potenprivate investment.

The new five-year plan amounts to a substantial revision of an earlier draft put forward last year by Mr Mr Hus-sein Mousavi, the former Prime Minister who favoured state control of the economy.

Three airports to be built in the Hong Kong region

By John Elliott in Hong Kong

THREE airports are to be built within a radius of 60 miles in the Pearl River Delia during the 1990s – and China is using two of them, located in Hong Kong and Macao, to try to boost confidence in the British colony and other parts of the region following the Tianan-men Square crisis.

men Square crisis.

Pians for Hong Kong's new two-runway international airport, to be located at Chek Lap Kok, west of the island of Lantau, will be approved by the colony's executive council today. It will form part of a morale-boosting package of morale-boosting package of infrastructure projects costing around HK\$125bn at current prices (£9.9bn) which will be announced tomorrow by Sir David Wilson, the governor, in his annual address to the Legislative Council.

The projects will include extensive new port facilities and road and rail links, with bridges, tunnels and land reclamation. The airport's first run-way is scheduled for comple-tion by 1997 when Hong Kong reverts to Chinese sovereignty. Last week the Bank of China said in its quarterly economic. review that these and other projects costing a total of HK\$200bn "carried far-reaching and favourable effects". It approved the Hong Kong Gov-ernment's idea that some of the airport financing could come from a special land fund, now totalling HK\$14.8bn, which is being built up to help finance the first post-1997 administration.

administration. The article is significant because it is being seen as a response to demands for China to rebuild confidence in Hong Kong following the June crisis. It said such projects would strengthen Hong Kong's status as a financial centre.

"Attracting foreign capital participation" should be part of Hong Kong's development

strategy because it would enhance its "characteristic as an international commercial city", said the Bank of China. Private-sector participation would help to avoid excessive interference and participation by government officials. The article also said that

Hong Kong should avoid using a substantial part of its accumulated reserves which are expected to rise to HK\$75bn this year. The reserves were needed in the colony's "particular circumstances" to help maintain exchange rate stability and to finance other developments

Sir David is expected to announce that a new provi-sional airport authority will be set up early next year as a stat-utory corporation which would seek printed to the control of the co seek private-sector participa-tion after completion of a master plan. Schroders Asia, the Government's financial advisers on the project, have said

the airport costs around HK\$40m-HK\$50m, 25 per cent might come from government equity including the land fund, and 75 per cent from debt.

The airport is urgently needed because the single runway at Hong Kong's existing Kai Tak airport will reach saturation noint in 1991 or 1995. uration point in 1991 or 1992, depending on growth rates. With 15m passengers a year, this is the world's sixth busiest

ring is the worst's sixth ousiest airport.

Passenger traffic was growing at 20 per cent annual rate earlier this year, but this has dropped to 11-12 per cent in the past two months following the China crisis. This could help defer a controversial decision about whether in two siversity. about whether to turn aircraft away or shorten an existing 11.30pm-6.80am curfew after the saturation point is reached. The region's other two new

that the project is visible for international financing, despite its 1997 initial opening date. If the airport costs around Macao, 40 miles from Hong

Macao, 40 miles from Hong Kong, would save some tourists and other passengers travelling first to Hong Kong.

A domestic airport with a 3.4km single-runway which is being built in China's special economic zone of Shenzhen, adjacent to Hong Kong's New Territories, could take some of Kai Tak's China-bound passengers after its scheduled opening date of 1991-92.

At present, Macao has no airport and relies on Hong Kong. It is planning a 3km run-

Kong. It is planning a 3km run-way to international standards way to international standards for completion within the next four years at an estimated cost of HK\$4bm.

A group of Chinese corporations, including the Bank of China, have a one-third stake in the Macco International Atr

in the Macao International Airport Company. Local officials believe China regards this as an important demonstration of its continuing commitment to international joint ventures.

international joint ventures.

The Macao Government has a one-third stake and the final third is held by STDM which is controlled by Mr Stanley Ho, a Hong Kong- and Macao-based gambling and transport tycom who last week bought a 50 per cent stake in Air Hongkong, an air cargo company.

The decisions to go ahead with all three airports finally

The decisions to go ahead with all three airports finally bury earlier ideas for a shared dual-nationality airport somewhere near the Hong Kong-China border. The politically most powerful argument against such a project was that it could have endangered the air traffic rights of Cathay Pacific, Hong Kong's flag carrier which is controlled by the Swire family. Officially, the Swire family. Officially, the idea was abandoned because it would have disrupted a wildlife sanctuary used by birds migrating to Siberia.

China refuses to accept return of illegal immigrants

S African

interest rates

THE South African central

bank said last night it was

raising its bank rate by 1 per-centage point to protect the capital account of the balance

It was the third interest rate rise this year, taking the South African Reserve Bank's

South African Reserve Bank's discount rate to 13 per cent. The move followed last week's interest rate rises in several European countries.

Mr Chris Stals, the Reserve Bank governor, said these rises had increased the already large differential between real interest rates oversess and

on the rate of inflation, Mr

The maintenance of positive

real interest rates was even more important for South

Africa than for continental

Europe or the UK, Mr Stals said, to fight inflation and pro-

san, to fight interior and pro-tect the balance of payments. In addition to the rise in bank rate, which takes effect tomorrow following today's public holiday, the Bank

Reserve Bank governor two months ago, has made the fight against inflation his

edge higher

By Patti Waldmeir in

Johannesburg

of payments.

CHINA HAS refused to accept the repatriation of over 100 illegal immigrants from Hong Kong during the past two days. This moves illustrates currently tense relations between China

Hong Kong allowing Mr Yang Yang, a Chinese swimmer who is now being fêted by overseas Chinese dissidents, to

fly to the US last week instead of sending him home.

Under a seven-year agreement, China

government officials will today investi-gate reports that China intends to disrupt the flow by checking the history

should take measures to restore the confidence of the people of Hong Kong following the violent suppression of students' demonstrations in Tiananmen Square in Psking in June. Specifically, the Chinese declined to give an undertaking that units of the Chinese People's Liberation Army should not be stationed in Hong Kong after the colony is handed over to China in 1997.

Bofors scandal

Fresh

twist in

By K.K. Sharma in New

FURTHER damaging disclosures about payments of large commissions to an Indian agent by Bofors, the Swedish agent by Boiots, the Swedish arms company, were made by The Hindu newspaper of Madras yesterday when it published documents on a secret part of a report by the Swedish National Andit Bureau.

The disclosures will again ambering the Policy Condition

embarrass Mr Rajiv Gandhi, India's Prime Minister. He has consistently denied that pay-offs had ever been made to any Indians by Bofors which was awarded a controversial \$1.4bn contract for supply of howit-zers to the Indian army in 1986 when Mr Gandhi was Defence

15000

Minister.
The Hindu has been in the forefront of the campaign to unearth the truth about payoffs by Bofors ever since charges were first made in April, 1987, that Indians had received commissions from the Swedish company despite statements by Mr Gandhi and the Indian Government that no middlemen were involved.

Further disclosures are expected to be made by The Hindu tomorrow, the day the Indian Parliament meets for a four-day session, probably the last before it is dissolved and fresh elections held. The Bofors deal is certain to domi-

nate the session.

Documents published by The Hindu yesterday disclose that the Bofors officially admitted to the Swedish National Bank in December, 1986, that the "principal beneficiary" behind Svenska Inc. one of the three recipient front companies paid secretly in Switzerland, was "an Indian who has been an agent for Bofors for 10 to 15

The agent is not named in the documents but The Hindu concludes that "this is a clear reference to Mr Win Chadha, an Indian national and resi dent who has represented Bofors in India from the 1970s". The controversial Mr Chadha left India after the Bofors crisis reserves, which had declined almost to zero last year, were building up to a level higher than that required by the IMF.

automatically takes back on average 60 people a day who have illegally ent-grated to Hong Kong, without vetting of each individual. China's decision on the immigrants grated to Hong Kong, without vetting the cases. For the past two days, however, their trucks have been turned back at the border by Chinese guards. Hong Kong Chinese Joint Lizison Group on Hong Kong in London at the end of last month. At that meeting, China refused to accept Britain's demand that it and Hong Kong. It is believed to be a retaliation for

Japanese 'lack skills for aid programmes' By Stefan Wagstyl in Tokyo

JAPANESE government officials are concerned they lack the experience and man-power to organise the conntry's massive overseas aid pro-

gramme properly.

Japan last year was the world's second largest provider of Overseas Development Aid – disbursing \$9.13bn against the US's \$9.78bn, according to the Ministry of Foreign Affairs' annual ODA report. But offi-cials say Japan has only 1,396 people involved in aid distribu-tion against 4,340 for the US.

Takanori Kitamura, director of the ministry's economic co-operation bureau, said last week.

Japan had to improve the efficiency of aid distribution and its quality. Programme planning, policy dialogue with nt countries, implementation and post-project evalua-tion - all these areas had to be improved. But Japan lacked

"We do face a challenge," Mr it was difficult to get approval when the Government wanted to alim the overall size of the bureaucracy. Similarly, the ministry wanted to establish an International Development University but it needed agreement from the Ministry of Finance, said Mr Kitamura. Mr Kitamura denied claims that contracts awarded for aid

projects unduly favoured Japa-

and those funded by tied loans. But for schemes funded by untied loans - 70 per cent of the total - there were no restrictions on foreign compa-

aid and would probably become the world's largest offi-cial donor, he added. But Japanese private aid remained small. Charities and other development, specialists, he nesse companies. Like other said.

The bureau was trying to get an increase in manpower, but the said an increase in manpower, but the said and t

US highlights sunny side of Tokyo relations

By tan Rodger in Tokyo

large differential between real interest rates overseas and those in South Africa. Belative to other countries, South Africa's low level of real interest rates would put pressure on the capital account of the balance of payments, the exchange rate and eventually on the rate of inflation. Mr. A SENIOR US diplomat terday that was aimed to yesterday described Japan as a "close friend" and "staunch partnership" between Japan A SENIOR US diplomat yesterday described Japan as a "close friend" and "staunch security ally" of the US and urged people not to let nasty bilateral trade disputes corrode a complex relationship that is becoming increasingly important for world peace and pros-

"Our goal is to combine our strengths, our talents and our resources and to act as a positive force for a more peaceful and prosperous world," Mr Robert Kimmitt, undersecretary of state for political affairs, said in a speech to for-

and the US advanced by Secre-tary of State James Baker in

many US politicians and commentators are referring to Japan as a threat and calling for a much tougher stand against Tokyo on trade issues, Mr Kimmitt's remarks were something of a surprise.

Japanese government and corporate leaders are still recling from the angry reaction last week in the US to Sony eign journalists in Tokyo yes- Corporation's acquisition of

Columbia Pictures, a move one US magazine referred to as buying the soul of America. They are also bracing them-selves for the visit to Tokyo later this week of Mrs Carla .Hills, the US Trade Repr tive. Mrs Hills is among those who have been taking a tough attitude lately to trade talks

with Japan.
If nothing else, the week is likely to provide the Japanese with a better understanding of the increasingly emotional debate over policy towards Japan going on in Washington between the so called bashers and the apologists.

admitted he was in the latter camp, was in Tokyo for regular discussions on regional, inter-national and security issues. He said that in political affairs, "the co-operation between our two countries today is better and closer than it has ever been". Japan and the US were co-operating successfully on security matters, foreign policy issues, such as Eastern Europe and drugs and on aid to devel-

Mr Kimmitt, who as much as

oping countries. He also argued that the bilateral economic relationship was a source of strength for the

would also increase rates at which it provides accommoda-tion to the market by 1 per-Jordan lifts ban on imports of luxury goods tion to the market by I per-centage. However rates on all forms of overnight loan would rise by 1.25 percentage points, with overnight loans covered by liquid bankers' acceptances rising to 21.25 per cent. Mr Stals, who took over as tial investors are also likely to be deterred by the lack of ade-quate legislation safeguarding had increased by 20 per cent in the first half of this year from the same period in 1988, while imports declined by 17 per

JORDAN yesterday lifted a ban on imports of luxnry goods as officials reported an increase in exports and an improvement in the country's foreign reserves, Lamis Andoni reports from Amman. Com-modities affected range from cars and electrical appliances to artificial flowers.

November in an effort to save the country's depleting foreign reserves and to boost Jordanian exports.

But yesterlay Mr Basil Jar-daneh, Minister of Finance, announced that Jordan's exports - mainly of phosphate, potash and fertilisers —

cent. He expected exports to reach \$1.2bn this year. The improvement shows that the sharp fall in the value of the dinar in the last year is already having a salutary effect. The

be part of an economic read-justment plan being imple-mented in co-operation with the International Monetary Fund. He said that foreign

highest priority. Peace talks failure returns the spotlight to intifada

Palestinian uprising's leadership is torn between escalation and further hardship, writes Hugh Carnegy

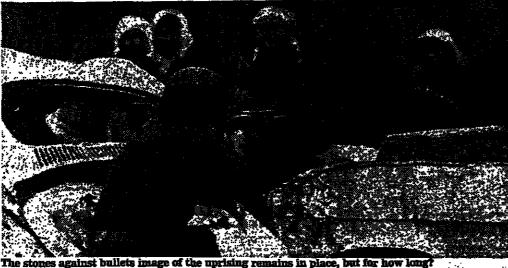
S THE prospects receded last week of a breakthrough in efforts to get Israel and the Palestinians to talk peace, the focus returned to the *intifada*, the uprising in the occupied terri-

Few people, even among Israelis, suggest the uprising, the second anniversary of which is two months away, is about to be extinguished by the Israeli army, despite the deaths of more than 670 Arabs during its bloody course. However, the lack of tangible

political progress and the simultaneous, releatless effect of the conflict on the 1.7m Arab inhabitants of the West Bank and Gaza Strip pose awk-ward questions for the "Unified Ward questions for the "Unined Leadership", the anonymous underground trying to guide the intifada along a path whose goal of a Palestinian state is not much more clearly in prospect than it was in the early days.

In recent months, the intifada has been marked by sev-eral features that can in part be put down to the wearing effects of time.

The Israelis have made much of a wave of vicious killings of alleged collaborators. There have been more than 100 such murders since the intifada began. At times this year, the killings have appeared to be getting out of hand. Sometimes they are used as a cover for the settling of political and personal scores, raising the



spectre of a fragmentation of the otherwise impressive unity

An unremitting policy of arrests by the authorities has netted thousands of activists. Their place is usually quickly filled, but in some areas there is an inevitable effect. The detention during the summer of hundreds of activists from Hamas, the Moslem fundamentalist organisation, clearly dampened its activities in

The decline in international media coverage of the intifada this year has been important from the point of view of keeping up pressure on Israel.

Last week provided an exam-ple of the dilemma facing the leadership, an inevitably fluid coalition of Palestine Liberation Organisation factions ranging from chairman Yassir Arafat's mainstream Fatah group to more radical left-wing

rganisations.
Just as speculation rose that an attempt by President Hosni Mubarak of Egypt to bring Israeli and Palestinian delegations together for talks might bear fruit - later to be dashed by the Likud party of Prime Minister Yitzhak Shamir - the Unified Leadership issued a leaflet calling for an escalation of the intifada, including an

unprecedented five general The leaflet was a response to recent tough Israeli actions in the territories, in particular the confiscation of hundreds of thousends of dollars worth of personal property in the West Bank town of Beit Sahour where the residents are refus-

ing to pay Israeli taxes. Dr Saeb Erakat, an academic and journalist from Jericho and hardline supporter of the intifada, says the latest leaflet was evidence that those within the leadership inclined to place emphasis on the political pro-cess had been pulled back into line by pressure from below

- from the local "popular com-mittees" which are at the sharp end of the uprising - for

a harder stance.
Certainly it is hard to per-suade anybody in the villages and refugee camps whose daily experience is of confrontation with the Israelis that peace plans in Cairo or elsewhere mean much.
"It is the Israelis who

obstruct peace. They don't have a bit of an intention to make peace with the Palestin-ians," said a Beit Sahour resident as he sat on the floor last week where his confiscated

sofa once stood.
But simply adopting a more confrontational attitude is tricky in itself. The special leaflet called for renewed efforts to enforce a boycott of work in Israel by Gazans in protest at new magnetic strip identity cards. Yet the month-old boycott had caused severe hardship and that very day senior leaders there were authorising a return to work. They were privately critical of

The difficulty for the leadership is to find ways of sustain-ing and extending the intifada ing and extending the intifada without at the same time increasing the hardship it has already caused the inhabitants of the occupied territories. Calls are made frequently by extremist fringe factions for a resort to arms. But this course is still rejected by the overwhelming majority for two reawhelming majority for two rea-sons: it would jeopardise the

propaganda gains the PLO has earned from the "stones against bullets" image of the intifada and it would invite much greater force in retalia-Dr Erakat predicts more campaigns of civil disobedience

such as the Beit Sahour tax boycott. The severity of the Israeli response there indicates that the authorities are worried by such a prospect. What is more ominous for the Israelis, Dr Erakat expects increasing individual incidents of violence similar to the July attack on a Tel Aviv-Jerusalem bus in which more than a dozen Jews died.

Much may turn on the extent to which impatience over the political deadlock spills into the street. Palestinians at all levels tend to say that a feeling in the early days that the intifads would quickly achieve its political aims has been replaced by an acceptance that this may rather take

years.
"I believe people are getting more frustrated about a fruit-ful outcome to the peace pro-cess," commented Radwan Abu Ayyash, a prominent pro-Fatah figure and head of the Arab Journalists Association, before the Israeli Government turned down President Muharak's ini-tiative. "Now to a great extent (the Intifada) is controlled, but I don't know how much it will be in future. And if we lese control, that will be a disas-

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OVERSEAS NEWS

Kalashnikov rule maintains the ethnic divide in southern Pakistan

Tensions are reaching an explosive level in Sindh province, where more people have guns than water and sewage, writes Christina Lamb

N a balmy autumn More people have guns than government complain their as he is known, cultivates his ministries are powerless while the powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless will be the complaint their as he is known, cultivates his ministries are powerless.

N a balmy autumn
evening one year ago,
men of the southern
Pakistani town of Hyderabad
were going out for prayers. A
shot rang out and the lights

More people have guns than
water and sewerage. Gang
rapes occur in hospitals, college buses are attacked.
Students carry Kalashnikovs
rather than textbooks, and

Hooded gunmen appeared from nowhere on rooftops and motorbikes, and by dawn 200 people had been massacred and the streets were running with blood Last Sunday in a chilling repeat, masked gunmen entered several schools and at gunpoint forced headmasters to close them. A gunbattle ensued in which nine were killed and troops once more called out.

The hot congested cities of Hyderabad and Karachi in the seething province of Sindh, are used to such incidents.

An explosive mix of which around 10 per cent are Pathans from the Frontier, 10 per cent Punjabis, 35 per cent mohajirs (migrants from India) and the rest Sindhis who feel they are deliberately being made a minority in their own prov-ince, the battle for scarce economic resources has assumed

Frequently under curfew, the might of the Kalashnikov reigns supreme, ethnic war-lords and notorious drug-barons running organised gangs under the noses of an apparently helpless overburdened administration. Since November 1987 more than 1,000 people

after a shootout last month, Karachi University which is rarely open, resembles a prison camp, armed guards every-There are too many people

and too few police. Qaim Ali Shah, Chief Minister of Sindh, admits that at any one time there are just 3,000 police available for Karachi's population of 9m among whom he says are more than 1m illegal immi-

These problems worsened immeasurably in 1983 when the army moved in to ruth-lessly crush an uprising against martial law. Pakistan's first elected Prime Minister, Zulfikar Ali Bhutto, a Sindhi, had been hung by the military in 1979.

In November's elections last year, the first since 1977, Sindh got a chance to protest. It did so by voting overwhelmingly for his daughter Ms Bhutto's People's Party (PPP), which swept 31 out of 46 seats. Many people in Pakistan subscribe to the "Sindh theory". According to this Benazir Bhutto, was allowed to become Prime Minister in December by the military that has ruled Pakistan for more than half its

As Iqual Haider, Adviser to the Sindh Chief Minister, lifetime, because she was the admits, "the seeds of ethnic

controlling Sindh, and contain-

ing moves for independence

the breakup of Pakistan and creation of Bangladesh in 1971.

The same people are now shaking their heads. In Decem-

ber the army were removed

- democracy was going to cure all the ills. But now they

are back, not just at Karachi university. The Racecourse

and sports ground double as

army camps.

The total number of killings may have decreased but the ethnic gap seems to have widened. Gunfights usually over trivial events but assuming

ethnic overtones, are daily

Pakistani Prime Minister Benazir Bhutto (left) is thought to be the only person capable of controlling independence moves and violent ethnic unrest in Sindh province, which has claimed more than 1,000 lives since 1987.

Altaf Hussain (right), "uncrowned King of Karachi" and leader of the MQM party representing the minority mohajirs, voices resentment at the majority Sindhis, saying "mohajirs have no place else...we are treated as third grade citizens".

violence are easier to sow than uproot". In what many interpreted as a warning, last week General Aslam Beg, the army chief, told press there had been pressure on him for the army to intervene in Sindh, and said, we could restore complete peace within days but that would have far-reaching conse-quences of a different nature". Although Ms Bhutto's Peo-ple's party emerged as easily the largest in the elections, in order to secure a majority in the national assembly she had to enter into an alliance with the Mohajir Quami Movement (MQM), which had won 14 vital

seats in urban Sindh. A party for mohajirs, the MQM was thought by many to have been created by late President Zia, to exploit ethnic tension in a divide and rule tactic to justify continued army rule. Arising out of a student group in Karachi university almost overnight with a mass rally in August 1986, the MQM swept local body elections the follow-ing year in urban Sindh.

Until then ethnic strife was three cornered, between Sin-dhis and Pathans who had moved in to control drugs and transport, and Punjabis who, making up 62 per cent of Pakis-tan's population, dominated the army and bureaucracy and got lucrative plots and postings in Karachi.

With the sudden emergence of a militant MQM taking over the local administration and demanding a fifth nationality, the focus changed while the flow of sophisticated arms



from Afghanistan meant street fights turned to bloodbaths. Now most killings are between Sindhis and mohajirs. and an aide of Sindh Chief Minister admits, "our aims are poles apart. Peace is the death of MQM."

Organised in cells which col-lect "fees" from locals, MQM members call each other bhai (brother) and hero-worship Altaf Hussain, one of Pakistan's most charismatic politicians. In his dark shades with no official position, the former pharmacist has become a god-father, the uncrowned king of Karachi, whose office in the city's remotest northern reaches, is a far cry from the plush suburbs where other pol-

Hated by Sindh's traditional

lower middle class image, proudly riding around on a Honda 50 and talking revolu-

The MQM bears a grudge. While their members are people whose parents left India, giving up everything because they did not want to be a deprived minority, Altaf says today we are treated like third grade citizens". Their main grievance is the quota system. Mohajirs tend to be better edu-cated so had a disproportionate 83 per cent of top civil service s until quotas introduced in 1974 began pushing them out.
By 1983 they were down to 20
per cent. Altaf complains,
"Karachi's population is 10 per
cent of the country's total and it provides more than 63 per cent of federal revenue, yet we only get 2 per cent quota of jobs and many of those go to people from other areas not mohajirs who have no place

The PPP-MQM alliance, based on a 52 point Karachi Accord, has been at best uneasy, each side accusing the other of cheating. Envoys from Ms Bhutto's government regu-larly rush down to Karachi to acquiesce to the latest MQM demand.

The main aim, to maintain law and order, has not been achieved and PPP members blame MQM for recent killings. MQM ministers in the Sindh

government complain their PPP ministers say they are being blackmailed by the MQM who threaten to abort the alliance in order to secure release of their prisoners, knowing that without the MQM the Bhutto government would

almost certainly collapse. Both sides have internal problems. Recent fighting was between factions of the MQM though they turned on Punjabis to cloak this. MQM hardliners in Hyderabad whose mayor has survived several are eager to end the alliance as are Sindhi nationalists within the PPP who feel Bhutto has conceded the cities to MQM.

Recent months have seen an

upsurge in support for Sindhi nationalist parties as the PPP has been unable to conjure up resources out of nothing. Areas such as Dadu, one of Pakistan's most deprived regions, which relies on once yearly rainfall to grow crops in subsoil, voted overwhelmingly for the PPP in November, unable to see how nationalist talk of a separate province could solve the problem of where the next meal was coming from. Today the feudal leaders of the many nationalist parties with their Hitlerian parties with their ritterian style propaganda, are attract-ing large crowds in villages bedecked with flags showing their black axe symbol, and burning Pakistani flags.

only person thought capable of Pakistani leader calls for end to Kabul aid

PAKISTANI President Ghulam Ishaq Khan yesterday told his frontier militia that the Soviet Union's support of the Communist Government of Afghan-istan was the main obstacle to ending that country's civil war, AP reports from Peshawar. He said Pakistan still believed that Moslem rebels, armed chiefly by the US, were the only ones capable of head-ing a popular Islamic regime in Kabul.

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"If the Soviet Union genuinely wishes to help a political settlement, it must review its present policy which is in defiance of the clear wishes of the Afghan people," he told the militia.

Afghan guerrilla groups, head-quartered in Pakistan, have formed their own self-declared venture home because of the interim government, which continued fighting.

aims to replace President Najib's ruling People's Demo-cratic Party of Afghanistan.

"We believe that the mujahe-deen will ultimately succeed in the restoration of Afghanistan's independent, non-aligned and Islamic status," Ishaq Khan said.

In 1979, Soviet forces intervened to replace one pro-Moscow government with another in Kabul, then stayed on help fight the mujahideen. The Red Army completed its withdrawal from Afghanistan

Some 3.5m Afghans remain in refugee camps along the Pakistan frontier, unwilling to

Government, which continues to receive Soviet aid. Seven of the most powerful

Sri Lanka family killed

TWO fathers and their two children, a boy and a girl, were shot dead in Sri Lanka in the latest round of political violence, Reuter reports from Col-

A government statement said they were among 24 peo-ple killed since Sunday. The men and children were

shot by unidentified men in olice uniform in the south of the country. The statement gave no further details. It said troops in the past 24 hours also seized a large quan-

fire to a rubber factory, post office and several state vehicles in the past day.

last February. But the rebels have been unable to topple the

tion and army uniforms in raids on rebel hideouts. Thir-teen rebels were killed. The recent spate of violence has been attributed to the left-wing guerrillas and pro-government death squads. The guerrillas of the People's Liberation Front ignored a six-day ceasefire called by the gov-ernment ending last week and continued killing and destroying state property.
The statement said rebels set



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Initiative Talent Ability

Fed unease surfaces with **US Treasury policy**

By Peter Riddell, US Editor, in Washington

TENSION has increasingly developed between the Federal Reserve and the US Treasury over a wide range of economic policy issues including foreign exchange market intervention, interest rates and the Third

World debt strategy.

This has been reflected in friction between leading officials on both sides, as was noted by ministers and bankers during the annual meetings of the International Monetary or the international Monetary
Fund and World Bank two
weeks ago. Bear, Stearns, the
Wall Street investment advisers, said recently that "the
Treasury and the Federal
Reserve are at war" in relation to interest rates and the

The divisions surfaced publicly at the weekend when the minutes of the Federal Open Market Committee showed Market Committee showed that two key Fed governors — Mr Manuel Johnson, the vice-chairman, and Mr Wayne Angell — dissented from an increase in the limits for the Fed's currency holdings. This was because of their opposition to intervention in the market to intervention in the market "to drive the dollar lower as compared with intervention to avoid disorderly conditions by stabilising or limiting increases in the dollar The two governors argued that "intervention of the former type confuses market par-ticipants concerning the policy commitment towards price level stability and can contrib-ute to disorderly markets."

This public expression of dis-sent is significant, not least because Mr Johnson is usually regarded as a close ally of the Treasury on economic policy. Moreover, although the two

governors were outvoted, their views reflect broader doubts within the Fed, shared by the majority, about the efficacy of large-scale intervention.

The Fed has resisted Trea-

sury calls for lower US interest rates as a means of bringing down the dollar. The predominant Fed view has been that interest-rate policy should be used primarily in relation to demestic conditions, notable domestic conditions, notably curbing inflation. In practical terms, however, the latest evi-dence of an easing of labour market conditions may lead to lower US rates before long.

lower US rates before long.

Another growing cause of tension has been over the Third World debt plan launched in mid-March by Mr Nicholas Brady, the Treasury Secretary. The Fed had doubts then about its feasibility and, while it has been closely involved with Mexican debt



Brady: Fed doubts about debt plan

negotiations, its officials have shared some of the reserva-tions expressed by the commercial banks about the prospects

for new loans.
These differences have become tied in with a growing debate in Congress about the powers of the Fed. Moreover, President Bush shortly has to decide how to fill the vacancy left by the resignation from the board of Mr Robert Heller.

Analysts study Weimar republic and talk of political disaster, writes Ivo Dawnay S Brazil's 22 presidential candidates race towards their appointment with the ballot box on November 15, a growing fear among economists is that hyper-inflation may beat them Mailson da Nobrega, Brazil's finance minister, attempted to stem the tide of price rises by appealing to industry to hold down charges. In a series of meetings with leading industrialists, he hammered out a deal has which here receives will held by which key sectors will hold down increases to 10 per cent below last month's inflation

Last month, price rises reached a record 36 per cent. There are forecasts of more than 40 per cent for October and few will take bets that the rate.

Moreover, in the manner of a
Levantine despot killing the
bearer of unpleasant tidings,
he closed the gold futures market, blaming speculators for
the 20 per cent rise in prices.
Last month, a conference of
the great and group exthesed in graphs will not go into the ver-tical before the second round of the two-phase poll on December 17. Despite government assurances that foreign exchange reserves are adequate and tough monetary controls are in force, both government and business know that any sharp rise in inflationary expectations could provide the fuel for a disaster. the great and good gathered in Rio to discuss the first publica-tion in Portuguese of Breachi-ani-Turnoul's The Economics of

Inflation – the classic study of events leading to the collapse of confidence in Germany's Weimar Republic in June 1928. Its conclusions were far from Already this month, three minor panics in the markets have seen gold and the black Its conclusions were far from encouraging. Economists from Professor Celso Pastore, the monetarist former central bank governor on the right, to deputy Cesar Mais of the left-wing populist Democratic Workers' Party agreed that, indeed, it could happen in Brazil.

Dr Paulo Guedes, a champion of orthodox fiscal measures, pointed out that, as in 1920s Germany, the conjunction of government deficits, the monetarisation of debt and the inability of the authorities to raise tax revenues are all in real monthly interest rates on government paper of up to 6 per cent and moved into internationally convertible assets.

After a bank holiday weekend, all eyes today will be focused on the weekly auction



Hyper-inflation joins race for Brazil polls

"It is inexorable," he con-cluded. "If we don't act with force and determination as force and determination as well as the right measures, hyper-inflation is inevitable."

But while the platform could unite around a programme to cut the public sector deficit — currently expected to exceed 6 per cent of gross domestic product — there was equally uniform scepticism as to the capacity of Brazil's leaders to take the measures necessary to avert a colleges. sary to avert a collapse. In 1920s Germany, the gov-ernment took authoritarian

power through decree legisla-tion and an autonomous cen-tral bank. In contemporary Brazil, the new constitution gives Congress formidable blocking powers and ensures a host of costly privileges from substitution tax breaks to guaranteed employment for guaranteed employment for

civil servants. Mr Walder de Goes, the sole mr waider de Goes, the soile political scientist at the seminar, warned: "Without a stronger president, Congress will continue to be too weak to take action, but still strong enough to prevent it."

in prevent it."

His gloomy conclusion, widely shared, was that only with the advent of hyper-inflation will the political impetus build up to tackle the entrenched interests whose dogged defence of their rights has rendered President José Sarney's regime powerless. "It is better that it comes quickly, because it is only then that a new climate of expecta-

quickly, because it is only then that a new climate of expectations can emerge," he said.

Not too quickly, however.

Many are counting on prices being held down enough to allow the presidential elections to be concluded in December. That would clear the political decks to allow an accelerated transition like that of Argentina's where President Raul Alfonsin handed over power early to Mr Carlos Menem. Few now believe that the Sarney government will be

able to struggle on to the official inauguration date of his successor on March 15.
It is not clear, however, whether an early economic collapse would favour the left or the right. Mr Fernando Color de Mello, a young state governor of relatively liberal economic views, remains 20 points ahead of Mr Leonel Brizola—a populist socialist still orientated to a command economy model.

mos

model.

Most appear to believe, however, that the options will be limited. Mr Sarney's heir will be forced, like Mr Menem, to adopt tough economic orthodoxy. But as the election moves towards its final month, many media commentators have hit out at the candidates for failing to communicate the for failing to communicate the fragility of Brazil's economic position or their plans for tack-

it is commonly claimed that many hopefuls are entirely unaware that the country is on a precipice. That may be unfair. Like anywhere else, Brazilian politicians prefer not to sell an increasingly angry electorate a package of blood, sweat, toil and tears.

sweat, toll and tears.

Amongst the candidates at least, hope is the preferred prescription. After all, as deputy Cesar Maia put it with classic political definess: "In Brazil, to be a pessimist is merely to be a well-informed optimist."

How Chubb secured a key base for Southeast Asia

dollar return to record highs as nervous investors have ignored

of the main paper - the Letro Financeira do Tesouro - which

closed last Friday at an unnerving 682 per cent a year. Once again last week, Mr

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Argentina paves way for foreign investment

By Gary Mead in Buenos Aires

MR Nestor Rapanelli, Argentina's Economy Minister, yesterday signed two decrees which take the country's gradual opening up to foreign capital one step further.

One will remove the complicated set of regulations concerning foreign investment, replacing it with what promises to be complete freedom for

ises to be complete freedom for foreign capital to buy or create businesses in Argentina without prior government approval. One condition is that any such One condition is that any such new foreign investment should be real and not simply a movement of paper. New foreign investments will require Economy Ministry approval.

However, certain areas, such as the media, are to be excluded from the new openness to foreign investors.

ness to fereign investors.

"Compre Nacional" law, which has been used by domestic industry as a means of block-ing overseas competition. The "buy Argentine" law, a form of tariff against foreign imports, is to be suspended. In princi-ple, that should mean greater competition for domestic pro-

competition for domestic pro-ducers from foreign companies.

A main element of President
Carlos Menem's economic
plans, a new and simplified tax
system, has yet to be unveiled.

It is thought that it might be
announced this week after
last-minute adjustments in
consultation with the International Monetary Fund. tional Monetary Fund. At the weekend Mr Rapanelli

said the current prices agree-ment with industry was to be extended to March 1990, the month he singled out as cru-The other decree concerns cial for the re-negotiation of the highly controversial Argentina's foreign debt.

Panama braced for further crackdown

By Tim Coone in Panama City

SIXTEEN emergency measures will be decreed in Panama this week following the failure of last week's US-backed coup attempt to remove the country's military leader General Manuel Antonio Nociega.

Panama's tightly-muzzled media will face further restric-tions, there will be regulations to control the movement of webicles and foreign residents, and visitors will have to com-ply with new immigration requirements. Public employ-ees and the armed forces will be subject to new codes of con-duct designed to enforce loy-alty to the Government.

Up to 20 per cent of the pub-

purge. The new regulations, expected to be announced tomorrow, will abrogate employment protection guaran-tees for public sector employees in the existing labour code, and permit the suspension or dismissal of those not expressing "loyalty and patriotism", according to Mr Carlos Duque, president of the ruling Revolu-

tionary Democratic Party. The crackdown provides The crackdown provides a snokescreen, however, for a previously-planned economy drive to cut the government wage bill. US economic sanctions imposed over the past 20 months have disrupted government finances, reducing tax and royalties income by up to 50 per cent.

Noriega issue fails to hit Bush's popularity

PRESIDENT George Bush's handling of the falled compattern against General Manual Norlega of Panama is generally backed by the American public, though the fallure to order US military intervention has been sharply criticised by conservative Republicans.

An opinion poll taken at the end of last week by Gallup for Newsweek magazine shows that 45 per cent of those interviewed thought that US policy was just about right, against 9 per cent who believed the US had played too much of a role

per cent who believed the US had played too much of a role and 30 per cent who thought the role insufficient.

The same poll shows that only 26 per cent support the use of US military forces to invade Panama and overthrow

Noriega.

By comparison some 76 per cent believe the US should persuade other nations in the region to pressure Gen Noriega to surrender power, while 54 per cent favour the imposition of a total US economic boycott and 46 per cent want a secret operation set up to unseat Gen Noriega.

The US is now likely to pursue a combination of these policies. Mr James Baker, the Secretary of State, has been careful not to rule out the use of force but he has stressed the of force but he has stressed the US commitment to continued diplomatic pressure and eco-

nomic sanctions, which are

Conservatives, including several prominent Congress-men, have generally been hos-tile to the President's failure tile to the President's failure to order a military intervention. The Wall Street Journal reflected this strand of thinking in heading an editorial yesterday "Another Bay of Pigs" in reference to the failed investion of Cuba in 1961 under President Kennedy. The newspaper talked of "a study in American indecisiveness and irresolution".

However, the majority reac-tion of politicians, such as Democratic leaders Sensior George Mitchell and Speaker Tom Foley, and of the public is less strong. It is essentially that an opportunity may have been wasted as a result of hesi-tancy and caution but the posi-tion was never clear-cut because of confusing reports at the time.

the time.

Nevertheless, the episode may have some limited impact on Mr Bush's previously high standing and largely trouble-free record, especially as a series of revelations during the past week have exposed weaknesses in the gathering of intelligence and in White House decision-making.

Apart from the specific shortcomings needing to be remedied, there have, for the first time in this Administra-

first time in this Administra-tion, been recriminations between the President's senior foreign policy advisors.

The law contained prohibi-

tions on foreign investments

and a licensing policy which,

the US said, forced American

companies to transfer their

technology to Brazilian part-

foreign investment in the Bra-

copyright protection to com

puter software. It also opened its markets to include imports

of foreign computer software

and clarified its informatics

Mrs Hills' praise was echoed by CBEMA which predicted "a

more positive, relaxed atmo-

sphere" for discussions to resolve outstanding issues.

lation of technology transfer

contracts and its requirement

for government approval of

manufacturing projects, and a US request for expedited approval of market access ini-

Mrs Hills said the US and

Brazil have agreed to continue

their talks and meet on trade

suspended in 1984, after having

been disrupted by the Iranian Revolution in 1979 and then

the Iran-Iraq war, when the site was the target of Iraqi

bombing attacks.
While a Mitsui survey team

was on the site in 1984 assess

ing the potential of salvaging the project, there were further rocket attacks, and the com-

pany apparently decided shortly after to withdraw. Mit-sui formally declared in July

last year that it would not con-

tinue, and the two sides began

Japanese companies hope the settlement will open the

way to contracts in Iran's

reconstruction, but the difficul-ties faced by Mitsui in building the plant, then in withdrawing

from the project, are also a dis-incentive to involvement in the

Iranian officials have suggested that South Korean companies could replace Mit-

sui, but the company's officials do not consider the project via-

ble, and suggest that generous South Korean government sub-

sidies would be needed.

Hitch in clearing Gulf war wrecks

navigation. Of those, 12 are in Iranian waters, mostly around the Kharg Island oil terminal.

Since last November, offi-

cials of the Regional Organisa-tion for the Protection of the

Marine Environment (Ropme)

a long series of negotiations.

issues four times a year.

Mitsui pays Y120bn to

quit Bandar Khomeini

A number of curbs remain to

WORLD TRADE NEWS

US and Brazil end computer export row

By Nancy Dunne in Washington

THE US and Brazil have ended - to make them. a bitter four-year dispute over Brazil's treatment of foreign computer and electronic

Mrs Carla Hills, US Trade Representative, has terminated a trade investigation, initiated by the US Government under Section 301 of the Trade Act of 1974, and praised Brazil for its "willingness to work constructively with us".

The words contrast with the years of US accusations against Brazil for allowing pirating of American high tech-nology while protecting its domestic market from foreign competition. At one point, CBEMA, the Computer and Business Equipment Manufac-turers Association, claimed 50 per cent of Brazil's software was composed of pirated prod-

Brazil began curbing access to its technology market in 1977, fearing foreign domina-tion of the sector. In 1984, it angered the US computer industry by codifying an infor-matics law prohibiting highproducts were made in Brazil

By Robert Thomson in Tokyo

THE Iranian Government has

formally permitted the Mitsui group of Japan to withdraw

from the ill-fated Bandar Kho-

meini petrochemical plant

joint venture after the Japa-nese company agreed to pay a "separation fee" of just over

Y120bn (£533m). Mitsui officials and represen-tatives of Iran's National Petro-

chemical Company (NPC) signed a "deed of separation" in Tehran late on Sunday, end-

ing the trading group's trou-bled 18-year involvement with

the still far-from-finished proj-

The Japanese company has emphasised that the fee is not

compensation to Iran, and Mit-

sui itself is seeking Y166.2bn in

compensation from the Japa-

nese government under an export insurance policy. The

NPC estimates that its losses on the project have been around \$3bn, while Mitsui reckons it has lost \$2bn.

Mr Koichiro Ejiri, president

the group, has been in Iran to finalise the agreement and said that the liquidation of the joint

venture company, the Iran-Ja-pan Petrochemical Company,

Bandar Khomeini, which, at

one time, was apparently about

80 per cent complete, was

By Hunter Reynolds in Dubai

OVER a year after the ceasefire in the Gulf war, the political stalemate between

Iraq and Iran is delaying urgent work needed to clear the area of shipping wrecks.

than 600 ships were sunk or

Salvage experts say more

will begin after 90 days.

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policy *'impairs* competition'

By Guy de Jonquières, International Business

THE European Community's anti-dumping policy is a pro-tectionist device which impairs competition in Europe and flouts the intention of world trade rules, according to a study by a former official of the EC Commission. Mr Michael Devenport, for-

merly a senior commission zilian computer market, but Brazil settled part of the US complaint in 1987 by extending economist, says the EC has used its anti-dumping procedures to penalise many foreign exporters whose only crime has been to produce at a lower cost than their Community

He argues in a study for the Royal Institute of Interna-tional Affairs that anti-dumping actions are increasingly used as a form of disguised industrial policy and says they can strengthen industrial oli-gopolies in the EC. Instead of encouraging competition, the EC's actions were frustrating

Mr Davenport calls for three reforms in the EC procedures to make them less discrimina-

• The rules for determining "normal value" should be revised to remove an alleged bias in favour of finding

 Where dumping is found, the EC Council of Ministers should rigorously examine the impact on users before imposing price agreements or quotas

on imports.

The Commission should be obliged to justify proposed anti-dumping measures to the Council of Ministers in terms of all the economic interests involved. The Commission should also publish a detailed explanation of how anti-dump-

ing duties are determined.
*The Charybdis of anti-dumping: a new form of industrial
policy; Discussion Paper 22, 23. Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y

Saab wing order goes to Spain

Casa, the Spanish aerospace manufacturer, has been chosen by the Saab Aircraft division of the Swedish Saab-Scania group, to design and make the complete wing for the new

Saab 2000 regional turboprop airliner, Paul Betts reports. Casa competed against other European and US manufacturers for the contract. Casa will be responsible for design. of the entire wing for the new regional 50-seat turboprop air

have been blocked by Iran's refusal to give information about wrecks in its waters.

Tehran has recently brought in salvage teams to clear areas

around Kharg, Bandar Mashu and Bandar Khomeini.

Iraq's is seeking sea-access for Basra, its second-larges

Under the agreement, the Mitsui group members involved will share the separafirst deliveries of wings to Saab in the second half of 1991. The Saab 2000 is due to tion fee payments. The com-pany last year set aside a loss provision of Y68.9bn. begin test flights in early 1992.

EC dumping | US, Canada accused over rise in textile-curb pacts

THE US and Canada were pilloried yesterday for increas-ing import curbing agreements and clothing, William Dullforce reports from Geneva. The charge comes in a report by the textiles surveillance body (TSB) of the General Agreement on Tariffs and Trade (Gatt) to Gatt's textiles committee. It also revealed that US textile imports fell 4 per cent in value last year while exports rose 24 per cent.

Gatt's textiles committee yes-

terday began reviewing how the Multi-Fibre Arrangement (MFA), governing textiles trade, has been functioning since being renewed for a fourth five-year period in July,

The TSB said it did not doubt the US and Canada had been applying MFA curbs more strictly, and pursuing a trend against that followed by all other importing countries. At a time when Third World

pressure for liberalising the textile and clothing trade and

dismantling the MFA forms a sensitive issue in the Uruguay Round trade talks, the TSB finding is important politically, particularly for the US.

The US has recently tried to weaken Third World resistance to the extension of Gatt to cover "new" trade sectors such as services, intellectual property rights and foreign invest-ment. But it has slow on tex-tiles and clothing. In a separate paper, Gatt's secretariat recorded the estimated 24 per cent rise to \$3.36bm in value

and 18 per cent rise in volume of 1988 US textile exports.

Textiles performance was more than matched by US clothing makers who followed al987 increase of 31 per cent with a further 36 per cent climb last year, bringing the value of their exports to \$1.31bn. Exports success came with a 4 per cent fall to \$5.7bn in 1988 in the value of US textile imports and a slowdown to a 1 per cent increase in clothing imports, which totalled \$20.4bn. Clothing imports fell

Explaining the 1988 US fig-ures, Gatt refers to last year's export-boosting weakening of the dollar and to a slowdown in consumer spending on clothing in the US. This contrasts with a recent growth in spend-ing in the EC, where textile imports rose by an estimated 8 per cent last year to some \$11bn, after rises of 32 per cent in 1986 and 29 per cent in 1987. EC textile exports rose to about \$12.3bn after two years'

Japan helps Moscow open up its wild east

Sporadic successes are being made in a joint venture policy, writes Stefan Wagstyl

THE MAIN claim to fame of the 10-room state guest house in Khabarovsk, a provincial capital in the far east of the Soviet Union, is that Mr Mikhail Gorbachev, the Soviet leader, once

Now foreign businessmen will get the chance to stay for 100-150 roubles (about £100) a

night.
The guest house is to be modernised under a joint ven-ture worth 1m roubles signed recently by Soviet officials and Yeiwa Trading, a small Tokyo-hased trading house.

The venture is one of the sporadic successes in the Soviet far east of a policy introduced last year by Moscow of allowing local officials greater freedom in negotiating directly with foreign partners.

Officials in Khabarovsk say the number of joint ventures in the region has grown in the past two years from less than five to more than 20. Many more are under discussion. Japanese, American and European businessmen are

travelling in the region in much larger numbers than a few years ago. South Koreans have appeared for the first

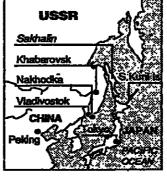
time in the past year - a sign of the steady warming of relations between two countries which do not have any diplo-

matic ties.

Moscow has long wanted to lure foreign capital into its most remote and hostile regions. But its ambitions of rsuading foreigners to back multi-billion dollar natural resources projects have rarely been fulfilled. With the coming of Mr Gorbachev's economic reforms, local officials have been encouraged to seek part-ners for more modest ventures. Small projects in underdevel-

oped regions were a top item on the agenda at a regular meeting held in Moscow recently between Japanese businessmen and Soviet offi-cials, attended by about 500 people. Mr Katsuhiro Fujiwara, director of the economic co-operation department of the Keidanren, Japan's leading employers association, says: "Russian_policy has greatly changed. They now emphasise the need for small joint ven-

However, Soviet officials acknowledge that their newfound fondness for small investments will not alone



bring foreign money pouring into the far east. The sparse population of the huge region which is home to just 7m people, the poor roads, railways, airports, hotels and telecomputations are all eited by munications are all cited by foreign businessmen as the main reasons for staying away. Moreover, there are still

some important administrative barriers to entry, above all the lack of convertibility of the rouble. After recent changes in the law, foreign businessmen are now allowed to take profits Soviet Union from two years after a venture starts operating. But this is still too long for many would-be investors.

Soviet Union, because of a long-standing dispute over the Northern Territories – islands off northern Japan which the Russians occupied at the end of the Second World War and which Japan claims. In prac-tice these considerations have not prevented Japanese companies from studying even very large projects – such as devel-oping an offshore oil and gas field off Sakhalin island.

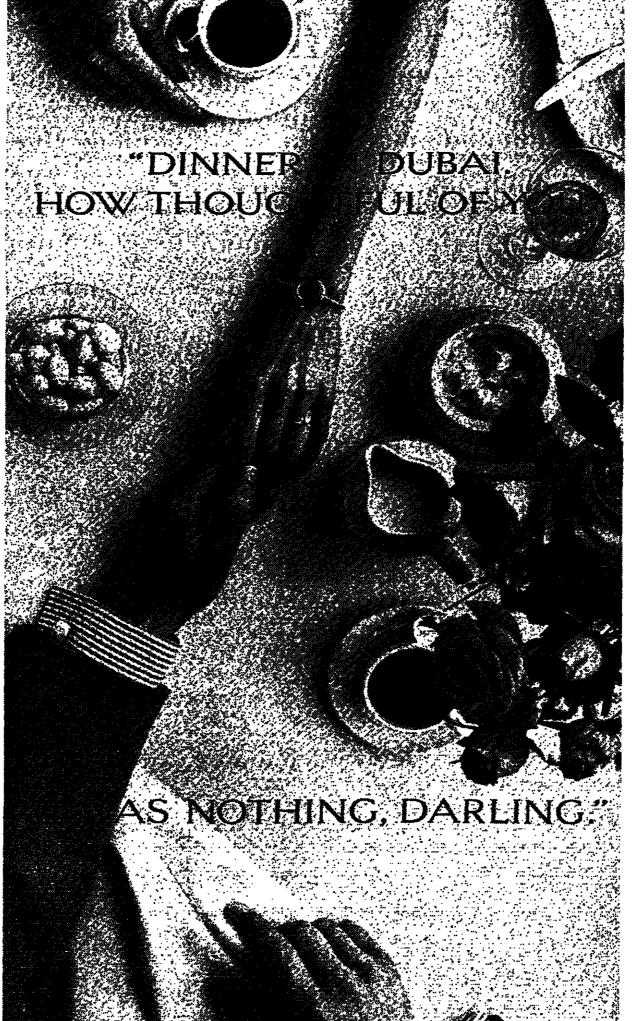
The Soviet Union would love to attract manufacturing industry into the region. It hopes that a planned special economic zone which may be established in Nakhodka, on the coast near Vladivostok, the largest port in the Soviet far east, may stimulate interest among foreign manufacturers. The opening of Vladivostok itself, a closed city because of its large naval base, possibly in

1992, may help.
However, Soviet officials recognise that for the most part they have to rely on

in hard currency out of the industries based on the region's natural resources minerals, fish and lumber.
 Of six joint ventures on Sakhalin, for example, three are in The Japanese Government fish farming (salmon), and one frowns on investment in the is in producing peat for export

Mr Minakir says that even in these basic industries, the Soviet Union can learn much from foreigners. For example, he estimates that two-thirds of all the timber cut in the Soviet far east is wasted at various stages in logging, trimming and processing. The six paper mills on Sakhalin were built in the 1920s by the Japanese who then controlled the island. Now Oji Paper, Japan's largest paper company, is studying a Y100m plan to modernise one

of them. But before businessmen can consider such schemes they have to have somewhere to stay. So, the modernisation of the Khabarovsk guest house is being given priority. So is a \$10m Soviet-Japanese project to rebuild the 164-room Sakhalin Hotel, which is due to be completed next year. Mr Gorbachev never staved there. But Mr Kalashnikov, inventor of the AK-47 gun, did.



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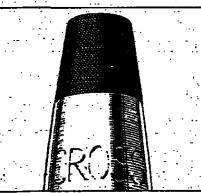
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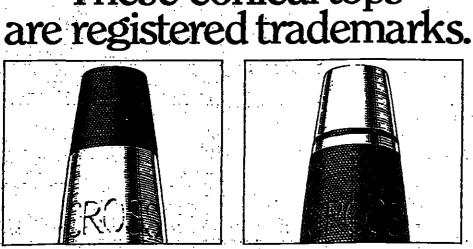
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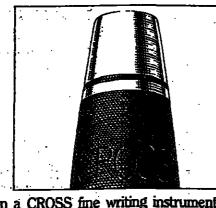


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NORDIC CONFERENCE

Sweden promises new rules to open doors for foreign banking

Robert Taylor reports from Stockholm

THE SWEDISH government will introduce legislation shortly to enable foreign banks to set up branches in Sweden, the country's finance minister Mr Kjell-Olof Feldt promised at yesterday's Financial Times conference on Europe and the Nordic countries in Stockholm.
He said this was one of a number of Government bills designed to liberalise the financial sector in the aftermath of Sweden's abolition of foreign exchange controls in July. Mr Feldt promised that foreign banks would be "offered equal opportunities to compete with Swedish banks" as a result of the new legislation. He added that the establishment of branches would require the Government's permission and they would be supervised jointly by the Swedish Bank Inspection Board and home country authorities "in accor-dance with generally accepted international recommendations

on prudential supervisions."

Mr Feldt made it clear that foreign bank undertakings in Sweden would be covered by existing Swedish bank legislation, including restrictions that rowers the convisition of govern the acquisition of shares in non-banking enter-prises. Foreign banks with branch permission shall be enabled to conduct stock bro-kerage," he added. "No special endowment capital shall be required for the business through Swedish branches. The operations carried out through branches shall rely on the foreign banks' capital

Sweden's finance minister said his country wanted to dis-cuss with the European Com-munity "intensified co-operation in all sectors except foreign and security policy". He added that Swedish neutrality was a "key factor in a wider European security policy patand a product of the situation in Europe at any given moment as interpreted by the Swedish government".
"Our aim is the fullest possi-

ble participation in the four freedoms of the internal market. What we wish to achieve is that Swedish citizens, Swed-ish goods and services, Swedish enterprises are not to be discriminated against in any way in relation to their EC



Mr Kjell Olof Feldt: opening doors for foreign banks.

counterparts," Mr Feldt said. He was "confident" that December's joint meeting between the EC and European Free Trade Association mem bers would give the "formal go-ahead" to detailed negotiations between the two economic blocs early in 1990 with the aim of creating a "more structured partnership with common decision-making and administrative institutions

in his speech to the confer-nce the Speaker of the Finnish Parliament and four times Finnish prime minister Mr Kalevi Sorsa said that Finland took an "optimistic" view of working through Efta for an integrated Europe. "It makes no sense at all to disrupt a natural process by failing to build on the free trade relationship which services both Effa countries and the EC so well", he added. Mr Sorsa said he believed that the efforts to create a "third road" between the present Efta-EC relationship and full EC membership would 'eventually succeed", involving free movement of goods, services, capital and people as well as close association on economic, environmental, research and development and

Mr Sorsa acknowledged this would involve "building a legal framework for all this and the setting up of institutions for decision making and for allow-ing the Efta countries to participate in the EC's legislative process". He said his "optimistic vision was founded in reality" but he also added that "EC membership for Finland was not compatible with its policy of neutrality". He said he believed the EC's social dimension would have to be strengthened to assist in bringing Efta and the EC together but he was convinced a "new multilateral framework between the two blocs was realisable." He concluded that Efta countries needed "to stick together and not individually make our way to Brussels and other centres

Mrs Kldrid Nordbo, state sec-retary in the office of Norway's prime minister Mrs Gro Har-lem Brundtland told the conference that her government which looks set to leave office early next week, was strongly in favour of creating new structures covering the EC and Efta, including the surveillance and enforcement of the rules and regulations agreed by both have to be a joint RC-Efta court system based on the existing EC court of justice.

She said that the present Norwegian government was keeping its options open on whether there should be a cus toms union between Efta and the EC "or a broadening of the existing free trade agree-ments". Mrs Nordbo said Nor-way's foreign and security polcy interests made it import that the country played "an active part in the ongoing integration process." She added that "our political interests require we are at the foreignst of economic and trade co-oper-

ation in western Europe". Mr Thorsteinn Offasson, nomic adviser to Iceland's prime minister said that his country welcomed closer integration with the EC through Effa but he stressed that lealand needed duty free access for processed fish products in the European market. He added that Iceland was "not in a position to give any fishing rights away to the EC and as a matter of political principle, agreed by all the political par-ties in Iceland, it would never be accepted to negotiate fish-ing rights in Icelandic waters

for other nations." The managing director and chief executive of the Gothenburg group at Skandinaviska Enskilda Banken, Mr Bo Ramfors called for the abolition of Sweden's turn-over tax, which he said had led to the trading in Swedish securities on for eign stock exchanges on a growing scale. But he also said that the Nordic banks and financial institutions were well equipped to meet increased competition, adding that a common Nordic stock-exchange information system starting next year would pave the way to the development of

Mr Harald Norvik, president and chairman of Statoil in Nor-way said that the growth of the EC's internal market meant that the EC's political institutions would decide upon impor-tant issues for the future marketing of Norway's petroleum products and therefore, whether or not his country became an EC member, it should take an active part in

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Chancellor faces Halifax raises mortgage rates to 14.5%

most difficult test in office

GOVERNMENT ministers publicly closed ranks yesterday behind Mr Nigel Lawson, the Chancellor of the Exchaquer, as sterling's sharp fall on for-eign exchange markets and the rise in mortgage rates deep-ened the unease among Con-servative supporters on the eve-of today's annual party confer-

As Mr Lawson arrived in Blackpool for the conference last night, facing what col-leagues described as the most difficult period of his Chancellorship, senior ministers privately acknowledged serious concern about the possibility of a further rise in interest rates. In public statements, how-ever, they took their lead from Mr Kenneth Baker, the party chairman, in predicting that the Government would soon regain its grip on the economy.

Mr John Wakeham, the Knergy
Secretary, echoed the general
sentiments when he said that the Government knew the immediate outlook would be difficult but it would not

difficult but it would not "shirk its responsibilities."

Mr Baker restfirmed that the Government's prime objective remained the defeat of inflation, but he would not be drawn on events in financial markets yesterday. He insisted that with a general election still possibly more than two years away, the Conservatives had time to bring down inflation and interest rates and to

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e ledical and the fall of the

tion and interest rates and to recover their popularity. Mrs Margaret Thatcher, the Prime Minister, offered a similarly unbeat message to a gathering of party agents last night. She said the latest rise in interest rates was necessary and had to be seen in the con-text of the underlying strength

of the economy. "This Government always does exactly what is neces-sary," she said, adding: "You have to look at the current situation in the light of the Gov-ernment's record and the underlying strength of the

weakness will prompt her to accept the advice of many city of London economists and

reconsider her long-standing

opposition to full British mem

bership of the European Mone-

to slide and forces another rise in interest rates, the Govern-ment could be faced with a

among its supporters. "We just

hope it does not happen," one minister commented.

son would use his speech to the Conference on Thursday to

defend the Government's

record on the economy in "a very positive way". He would point out that the Government

had presided over an unprece-dented period of economic

growth and falling unemployment and that, despite present difficulties, investment was

At the same time party man

agers were playing down week-end reports of differences between Mr Lawson and Mrs Thatcher's principal economic adviser, Sir Alan Walters. They

insisted that there had been full agreement last week on the need to raise interest rates.

Mr Roy Hattersley, the opposition Labour party's deputy leader, said Mr Baker should use his speech today to help

restore international confi-

dence in the British economy. "It is clear that the international markets are no longer prepared to accept the Chan-

cellor's complacent assertion that our mounting trade deficit is of no real significance.

"Mr Baker must therefore give us some sign that the Tory Government recognise

still rising strongly.

Mr Baker said that Mr Law-

serious outbreak of disconter

HALIFAX, the largest UK building society, yesterday raised mortage interest rates to 14.5 per cent from 13.5 per cent the highest ever real rate to borrowers in UK history.

Which in the UK are savings institutions specialising in home loans, are poised to move their rates in the next few days. Though Nationwide to borrowers in UK history. The increase will take effect for its 1.6m existing borrowers from November 1. When expressed as an APR (annual percentage rate), the Halifax will charge 15.7 per cent on endowment mortgages and 15.8 per cent on repayment

move their rates in the next few days. Though Nationwide Anglia, the second largest building society, looks likely to keep its increase to one percentage point, in line with Halifax, some other societies may put their rates up higher. Building societies have been holding their rate to borrowers at half a percentage point below the banks' hase rate

many smaller societies would like a rise of 1.25 to 1.50 percentage points.
Yorkshire, the twelfth larg-

est society, moved ahead of the rest of the market at the weekend, taking its rate to 15 per cent. Mr David Anderson, gen-eral manager for marketing, said yesterday: "15 per cent is the lowest rate we could go to and still expect to keep our investors satisfied."

Halifax stressed that the new rate will be the highest

bank interest rates were last this high in the early 1980s, income tax relief on interest payments on mortgage debt helped offset the burden. Since then Miras (mortgage interest relief at source) has been held at 230,000, while the average size of loans in SE England has risen to £58,000. The change means that in real terms the first time buyers

will be paying interest at 2.5 per cent more than in 1984. Lex, Page 20

or merging.

However, the AA travel cen-

and there is speculation in the travel trade of other chains scaling back their operations

tres will still continue to sell non-package holiday travel ser-vices, such as ferry bookings and travel insurance, along with its existing motoring facil-

Unexpected rise in manufacturing costs

By Patrick Harverson, Economics Staff

A LARGER than expected rise in manufacturing industry's fuel and raw material costs last month pointed towards a squeeze on company profit margins in the coming year.

The Central Statistical Office said that after allowing for normal seasonal variations manufacturing industry's input prices rose 1 per cent in September, to take the rise on the year to 5.3 per cent. The City of London's financial institutions had been expecting a monthly rise of 0.3 per cent in input

The CSO said that industry's factory gate prices of manufac-tured goods, known as output prices, rose by a seasonally adjusted 0.4 per cent. This was in line with City of London forecasts, and factory gate prices are now rising at an annual rate of 5 per cent.

The rise in manufacturing prices was attributed to the weakness of sterling against the dollar, which put up the cost of oil and general com-modities. The CSO said that a significant proportion of the rise was due to higher prices for food manufacturing materi-

City of London analysts said that yesterday's figures empha-sised how important a strong pound was to the fight against inflation. Mr Nigel Lawson, the Chancellor of the Exchequer, had hoped that last week's rise in UK interest rates to 15 per cent would support the pound and ease imported inflationary

However, the one point rise in interest rates and repeated intervention in recent days by the Bank of England in the foreign exchange markets has failed to stop sterling's slide against the dollar and the D-Mark. Analysts expect manu-facturers' costs to rise further in coming months if the pound remains weak against leading

currencies. Mr Kevin Gardiner, economist with Warburg Securities, said that industry's profit margins will be squeezed next year if input prices continue to rise at the current rate. Wage costs are forecast to rise by more than 5 per cent this year, and with company earnings already showing signs of slowing, profit margins will be eroded.

Mr Gardiner said that there was little room for companies to pass on the higher manufac-turing costs to the consumer in the form of higher retail prices. Aggregate demand is already weakening under the pressure of the rise in borrowing costs, and companies are likely to be reluctant to raise shop prices for fear of losing market share.

Other building societies, since the end of May, and AA cuts holiday sales after interest rate rise

One middle ranking Govern-ment minister summed up the general mood in Blackpool on the eve of the conference with the comment that: When By David Churchill, Leisure Industries Correspondent things get this dire I think you will find that we (the Conservatives) will pull together".

Others acknowledged however that if sterling continues

Government says it will not 'shirk responsibilities' as sterling falls and building society raises loan rate

THE Automobile Association yesterday became the first company in the travel industry to respond to the unprecedented slump in package holiday bookings for next year by axing sales of overseas aircharter package holidays.

The move means the loss of up to 500 jobs in the AA's retail travel operations at 69 travel centres throughout the UK. The AA's decision follows the 10 per cent volume slump in package holiday sales this summer and a fall of 50 per cent in the level of bookings for next summer in comparison with this time last year.

The travel trade blames the rise in interest rates over the past year for leading to the fall in demand for package holi-days, although bad publicity about low hotel standards and airport delays has also harmed

However, last week's rise in interest rates was the final hlow for the AA. Mr Andrew Johnson, general manager of AA Travel, said: "It frankly became pointless to continue to compete in the overcrowded, heavily discounted and ulti-mately unprofitable air-pack-age holidays business." He added: "We have taken a painful but necessary step."

AA Travel is the ninth largest travel agency chain in the UK with a total of 86 outlets. There are over 7,000 travel agents in the UK but the top five chains - Lunn Poly, Thomas Cook, Pickfords, Hogg Robinson, and A T Mays-ac-count for a quarter of the total number of outlets and about half the 10m package holidays

sold this year. The fall in sales, however, has led to most travel agency chains being forced to sell holi-days at up to £100 off in order to attract holidaymakers. This has severely hit profit margins The 500 jobs to be lost at the

AA Travel centres include some 400 as a direct result of the decision to stop selling package holidays, with a fur-ther 100 as a result of restruct-uring the AA's other retail

BAA W Heathrow



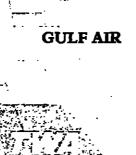
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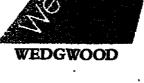




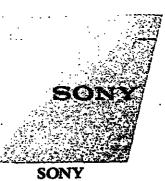


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their errors and will respond to Her aides cast doubt on any suggestion that the pound's Lawson decides to ride out accident waiting to happen Simon Holberton and Patrick

R Nigel Lawson, the Chancellor of the LV Exchequer, probably thought he had taken the decisive - if unpopular - step last week when he raised base rates to 15 per cent. Yesterday, on the eve of the Conservative party's annual conference, with the pound being savaged by the foreign exchange mar-kets, he may well have asked himself what he has to do to

prop up sterling. Last week's rise in interest rates was about preserving sterling's strength and bearing down on still excessive demand in the UK economy. But by yesterday morning, the foreign exchange markets had calculated that Mr Lawson would not want to risk throwing the economy into almost certain. recession by pushing interest rates higher. He seems to have decided to ride out the latest

As Mr John Shepperd, economist at Warburg Securities, said, even higher rates were not seen as an option, not only for political reasons, with the Tory Party conference in Blackpool this week, but also because "you cannot just con-tinue to put interest rates up when they are not affecting the

currency The fall in sterling was an accident waiting to happen. Traders and analysts have felt for some mouths that the pound was overvalued and

Two possibilities were dis-cussed. One was that the pound would fall when the economy cooled sufficiently for the Treasury to cut interest rates to stimulate growth. The other was that the market would see the top of the interest rate cycle and simply dump the pound, hoping to make money as it fell.

Vesterday the latter

Yesterday the latter occurred, accompanied by that now familiar talk of the pound being a "one way bet." A tenet of foreign exchange trading is: if you can't buy it, sell it.

Weekend ness reports of a rift between Mr Nigel Lawson, and Sir Alan Walters, the Prime Minister's economic adviser, reinforced the feeling of many in the foreign exchange markets yesterday morning that the Governmen would not stop the pound from

The market was also worried

Harverson look at sterling's fall by the Labour Party's lead in the opinion polls. Although the election is still some way off, traders gambled that the Government would not counte nance another rise in interest rates while it lagged so far behind Labour in the polls. In any event, currency strategists did not believe another rate rise would help the pound. Mr Ken de la Salle, head of foreign exchange at NatWest, said: "One more point on interest rates would not turn etc." est rates would not turn ster-ling. Only organised interven-tion in the markets by world central banks would help the

Another worry was that 15 per cent interest rates might push the economy into recession. The economic fundamentals are running against the pound. In particular, the mar-ket is worsed about the trade deficit, and it has not taken to Mr Lawson's line that privately

financed trade deficits do not "No one liked Lawson's Nero act after the last trade figures came out. His peddling of the idea that the deficit does not matter smacked of compla-cency," remarked one currency

on the pound and inter-est rates was also being ioned. As one analyst put it: "Last year the Bank of England tried to stop sterling as it went up through DM3 and had interest rates down at 7.5 per cent. Now the Bank is trying to stop the pound going down below DM3 and interest rates are at 15 per cent. rates are at 15 per cent. That's a hell of a change of policy."

But there was also a growing sense in financial markets that the Treasury had abandoned its flirtation with exchange rate targeting, or at least put it on hold for the time being.

The Bank of England's intervention yesterday was not an attempt to stop the pound falling through DM3 but to maintain a semblance of order in the market and indicate that the Government still took an interest in the level of the cur-

Mr Derek Scott, UK economist at RZW, said: "There are some in the market who think that authorities have in some sense let the pound go. It is only a matter of time before the market has another crack



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FINANCIAL TIMES

UK NEWS

Defence Regiment, the locally recruited British army unit, appeared at Belfast Magistrates Court yesterday accessed of firearms offences.

The court heard that the

four were among 28 UDR sol-diers arrested in a swoop by a total of 300 police officers in Belfast on Sunday, Some of the soldiers have since been

Soldiers

Ulster's

firing line

long. To date 130 UDR mem-

bers have been convicted of

serious offences, including 16

Like almost any issue in Northern Ireland, there are very different views about the

UDR, the locally recruited Brit-ish army regiment which now finds itself at the centre of a

political and military contro-

At the weekend 28 members

of the regiment were arrested and held for questioning in

connection with the leaking of classified documents to the

Irish Republican Army while a

top level investigation contin-

ues into alleged collusion between the security forces and the IRA's enemies - the loy-

alist paramilitary organisa-

On one hand the regiment, the youngest and largest in the British army, is considered to be the essential workhorse of

the province's security forces. Its members, evenly divided between full and part timers,

of army duties in the troubled

The UDR is described as a

ledicated and disciplined regi-

ment. Recruited entirely

within Northern Ireland, its members have a unique local

knowledge and are essential in the fight against terrorism. Yes, say the UDR's defend-ers, there have been miscre-

ants within the regiment. But

these have formed only a very

small proportion of the more than 40,000 people who have

passed through UDR ranks

since the regiment first became operational back in early 1970.

The regiment welcomes applications from all sections of the community the IRA has billed Reman Catholica who

killed Roman Catholics who

have joined and intimidated

The other view, held by most in the nationalist community

and shared to a large extent by the Irish Government, is that the existence of the UDR is one

of the main obstacles to prog-

The UDR was formed to

replace the old B Specials, the

police special unit involved in

some of the more bloody

ress in Northern Ireland.

many others.

province.

Ward arrest in **US** stretches Guinness affair

By Raymond Hughes, Law Courts Correspondent

THE ARREST of Mr Tom Ward, the US lawyer and for-mer Guinness director, and the start of proceedings in the US for his extradition to the UK, raises the prospect of the criminal trials in the Guinness affair stretching over the next

three years. A warrant for Mr Ward's arrest was issued in the UK as long ago as March last year. At that time it seemed possible that he would be seen in the dock alongside his co-defen-

However, the 18-months delay between the issuing of the warrant by Bow Street magistrates and his arrest by FBI agents last week means that, always assuming extradition is granted. My Word will tion is granted, Mr Ward will find himself alone in an English dock long after verdicts are returned against the

Even if the Serious Fraud Office obtains an extradition order Mr Ward can be expected to fight the matter through the

US appeals system, which could take at least two years. The trial of Mr Ward's seven co-defendants is due to start at Southwark Crown Court on

The seven include Mr Ernest Saunders, former Guinness chairman and chief executive, Mr Gerald Ronson, chairman of the Heron Group, Sir Jack Lyons, the millionaire financier, and Mr Anthony Parnes, a former stockbroker.

The other three are City pro-fessionals who advised Mr Saunders and Guinness during the takeover battle for Distillers: Mr Roger Seelig, former Morgan Grenfell corporate finance director, Lord Spens, former director of corporate finance at the Henry Ansbacher merchant bank, and Mr David Mayhew, senior corporate finance partner of stock-

brokers Cazenove & Co. Mr Ward, a senior partner in the Washington law firm of Ward, Lazarus, Grow & Cihlar, who is regarded as a key figure

in the Guinness affair, was arrested in connection with alleged offences under the UK Theft Act.

He is mentioned in four of He is mentioned in four of the charges currently faced by other defendants. Two against Mr Saunders under the Theft Act concern a payment of £5.2m made by Guinness to a Jarsey company, Marketing & Acquisition Consultants. In a third Sir Jack I were in

in a third Sir Jack Lyons is accused of conspiring with Mr Ward to contravene the 1985

Companies Act.
In the fourth Mr Seelig and
Mr Mayhew are accused of common law conspiracy with Mr Ward.

The £5.2m is also the subject of a pending appeal by Mr Ward to the House of Lords against a Court of Appeal ruling that he must repay the money to Guinness without the dispute going to a full trial.

The appeal was to have been heard last July but was postponed and is now not expected to be heard until some time

next year. Upholding a High Court ruling in Guinness's favour, the appeal court judges said that Mr Ward had improperly received the \$5.2m in plain disregard of his duty to the

COMDSELY". The payment, alleged by Mr Ward to have been for his services to Guinness during its takeover bid for Distillers, was not disclosed to a meeting of the full Guinness board. It had therefore breached both the company's articles of associa-

tion and the Companies Act, the appeal court said. Mr Ward contends that the payment was properly made to him, under a contract between him and Mr Saunders.

Mr Ward is the second of the Guinness defendants to face extradition proceedings. In November, 1987, proceedings were started against Mr Parnes, who had been arrested in Los Angeles. However, after six months in detention, Mr Parnes returned to the UK vol-

FOUR MEMBERS of the Ulster down as head of the inquiry into allegations of security recruited British army unit, itary organisations. Mr Darryl Chapman, aged

Arrested troops come

29, was charged with possessing three rifle magazines under suspicious circumaged 24, Mr Robert Thompson,

aged 24, Mr Robert Thompson, aged 25 and Mr William Casement, aged 31, are all accused of possessing bullets under suspicious circumstances. A lawyer for the men said they would strenuously deny the charges. He said they were not associated and did not support any illegal organisations. reinset. The police operation prompted criticism from the Rev Ian Palsley, leader of the Democratic Unionist party, who called on Mr John Stevens, Deputy Chief Constable of Cambridgeshire, to stand port any illegal organis Mr Ken Maginuis, the Ulster

Unionist security spokesman and a former major in the UDR, said the arrests were

"hamfisted" and "politically motivated." Mr Paisley said he had no

Mr Paisley said he had no confidence in Mr Stevens after the handling of the dawn raid arrests of 28 UDR soldiers.

The BUP leader said the scale of the operation had endangered the soldiers' lives by identifying them as members of the regiment. ers of the regiment.

Meanwhile, a young Protestat workman was shot dead in Kilrea. County Loadondery, yesterday in an incident which police are treating as a sectarish killing.



Patrol: the UDR are the workhorse security force

events at the start of "The

The Specials had been deeply feared across a wide section of the nationalist community. Yet now the UDR is almost equally

feared by nationalists. The UDR, say the regiment's critics, is a partisan force it is overwhelmingly Protestant,

with less than 4 per cent of its members Roman Catholics.

Those opposed to the UDR say the British army has trained and armed thousands of people from one side of the

This, the critics say, has made any settlement in North-ern freland all the more diffi-

If the British army with-draws the UDR will presum-ably be left behild to preserve If conflict breaks out, the critics say it is clear which side

the UDR would be on.
The UDR is a crucial element ation" policy. This dates back to the mid 1970s when the Royal Ulster Constabulary, closely supported by the UDR, was put in charge of the main acekeeping effort in the

Northern Ireland. To some this policy is similar to the "Vietnamisation" policy carried out by the US in the latter stages of the Viet-

As numbers of British army troops based in Northern Ireland have gone down, from a peak in 1972 of 21,000 to a little over 9,000 now, so the numbers of UDR and RUC

hâve risen. Nationalists in Northern land and the Government in Dublin have been very con-cerned about any expansion of the UDR's role into more sensi-tive "hard green" nationalist

areas.

They have been particuarly worried about recent statements made by Mr Peter Brooke, the Northern Ireland Secretary, that the UDR is to be issued with plastic bullets.

On the other hand loyalist politicians clearly feel that the continuing criticisms of the

UDR and the highly publicised arrests of UDR members carried out at the weekend, only give succour to the IRA.

Unionist MP and himself a for-mer major in the UDR said that the weekend's events would "totally undermine morale and confidence" within The men and the 700 women

in the UDR, called "Green Finches", have joined for a variety of reasons. Many are in the regiment because their fathers or brothers had also served or were in the old B

Others join for economic rea sons. A full time soldier earns about 2500 a month and jobs in Northern Ireland are scarce Already there is some resent-ment within the UBR that its members are somehow looked on as second class soldiers.

The top echelon of the UDR is still made up of officers seconded from the British Army. The UDR has noticed that the death of one of its members causes little concern outside Northern Ireland. As the IRA has also come to realise, deaths of British sol-

diers, particularly if they take place on the British mainland, have a far greater impact. There is no doubting the

UDR's soldier's bravery. While the regiment is becoming more professional and full time, part timers are still essential for operations. These would be farmers or milkmen, yulnerable to attack, particularly when off duty.

In the past 19 years 180 UDR members have been killed. In one now legendary case the IRA targeted a postman who was a part timer in the UDR. The IRA first took over an elderly woman's house. Then it posted her a parcel. When the postman made the delivery he was shot dead:

"These soldiers are not anti-Catholic but anti-IRA" said a recent UDR commander. Many in Northern Ireland would agree. But others clearly feel that the growth of the UDR has been a serious mistake.

County and Reuter to scotch dealing system

By Alan Cane

A MULTI-MILLION pound project to develop one of the world's most advanced dealing room information systems has been abandoned only months before it was due to go live.

County NatWest, the market making arm of National Westminster Bank, and Reuters, the financial information group, have agreed mutually to stop work on a computer-based information system which would have been the centre-piece of County NatWest's dealing room complex in its new City of London premises, Broadgate House, according to Dealing with Technology, a

financial newsletter. County and Reuters confirmed yesterday that they had agreed to discontinue the project because of Reuters inability to meet the bank's timetable.

The system, called Inte-grated Services Network and based on Reuters most advanced information distribu-tion system Triarch 2000 would have used digital technology throughout. Reuters will instead install a simpler, videc-based system, similar to the

one County NatWest already uses in its Drapers Gardens offices in the City.

The project, announced year ago, is part of a £15m package of letters of intent signed with Reuters and with British Telecom for computer and communication equipment

for the new dealing rooms.

County NatWest was expected to invest about £1bn in new technology over five years to equip its equities operation. Overall, however, the project has shrunk from a total of 685 dealer positions to between 300

Neither side was prepared yesterday to elaborate on the value of the Reuters contract or the amount that will have to be written off. It is understood, however, that the contract stipulated that in the event of Reu-ters failing to complete the ISN on time, it would instal the video system as an interim

measure without charge.

Mr Colin Kaye, director of technology at County NatWest said that while the video system was not being installed free it was at a substantial discounty. count to list price.

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UK NEWS

Bosch leads the march to the land in the West

Anthony Moreton looks at a raft of investment decisions bringing jobs to the principality

ines weeks ago the contractors moved onto a 200-acre site at Miskin, just outside. Cardiff in South Wales, and laid the first foundations for the Bosch motor plant that will, by 1995; be turning out 5m alternators a year for the melot inclusive. The frame of the building should be completed by January and Dr Helmut Olberts, technical director of the West German company's autemotive equipment division, said at the group's headquaiters in Stutteart last week, that exactly a year later the first of a new generation of compact alternator will come of the lines: a small one, up to 50amps; a medium-size one up to 90amps; and a large one up to 140amps. Cardiff was only chosen after a year long search by Bosch into a large number of sites. Besch's strategy has been to move its production nearer the client.

Although the company earns just over half its 24 7bn income from goods produced beyond its borders. Getting nearer the

ment.
STC has chosen Cwmbran, outside Newport, for a R & D centre, Toyota is spending £140m on an erigine plant at Deeside in North Wales, and Race Electronics is foliding forces with Japan's Senken Electrics to set up a plant in Aberdare, in the South Wales valleys.

valleys.
This morning Dow Corning is expected to add to this good news by announcing a multi-million pound project at its Barry works, also outside

Cardiff.

Dr. Olbertz sketched out a future in Wales for Bosch that offered the possibilities of expansion far beyond what the company now has in mind.

The DM320m investment

should employ 570 employees by the time the plant is fully running in 1991, 400 of them on the production lines, and it is expected that expansion of output will take the number to

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1200 by 1995.
Bosch, however, has bought a far larger site than it needs at the moment. Dr Olbertz stated "We shall be building two halls, each of about 120,000 sq ft, as well ab offices and an engret supply centre for our energy supply centre for our immediate needs end we have taken though space to build another four halls. Any expan-

per cent of the income comes from goods produced beyond its borders. Getting nearer the end customer has therefore become a central tenet of its

become a central tener or assistategy.

Bosch concentrated its yearlong search for a site for a new
plant initially on low-wage,
advenced-economy countries
and the trawl quickly came to
a choice between Spain, where
Bosch already has a number of
plants, and the UK, where it
has none.

plants, and the UK, where it has none.

Within the UK the close rapport developed between Mr Marcus Bierich, chief executive of Bosch and Mr Peter Walker, Secretary of State for Wales, played an important part in the decision to choose Carolli rather than the alternative.

Growth within the British motor industry was also an important factor. The company expects present output of around 1.1m vehicles a year to grow to more than 2m.

But what really swing the decision towards wales, according to Ili Olberty, was the way in which decisions were reached in the shortest

the way in which decisions were reached in the shortest possible time.

"We had enormous co-operation in the paperwork from a number of bodies," he said, "especially from Weigh Development International. This enabled us to push ahead at

top speed. The co-operation we had on this side was crucial in

our decision-making.

Wales also gained from its quick communications and an abundant supply of good labour. "Our products are distributed all over the world and South Wales has a transport system which can move goods quickly," said Mr Joachim Burkhardt, project manager at Miskin.

Another factor was the easy availability of labour in the area. Within a dozen miles of the Bosch site are companies such as Sony, National Panasonic, Race Electronics, AB Electronics, all having good,

skilled labour.

The ability of these companies to attract the necessary skills told Bosch it could also find the sort of workers it wants. About one in 10 of its employees are expected to have a university or university-level

Bosch refuses to be drawn on whether it will go for a single-union deal, though that would be no trouble in South Wales. Plenty of companies have already gone down this

But the word "flexibility" features prominently when dis-cussing its method of operations, pointing in the direction of a single union deal. Unlike most of its heigh-bours Bosch will predominantly entploy men, a welcome feature in a part of the world where job creation has helped women but where layous have largely been at the heavy, men employing end of indis-

"Wales is now very impor-tant to Bosch." Dr Offser's added. "It is our first mailurac-turing vention in the UK and it will make a product that is critical to the littlife of our aptomotive tompodents busi-

ness.

Bosch is ediffident it has made the right decision and that we shall be part of the Welsh business and social scene for many years.

That is a sentiment that how Corning is also expected to white this intringer.

Tories 'may lose 12% of vote' over **NHS** policy Bỳ Alàn Pike and John Mason

UP TO 12 per cent of Conservative supporters could switch their votes if the Government continues with its planned reforms of the National Health Service,

according to a survey published yesterday.

The findings of the poll, carried out for the opposition Labour Party by Mori, came as health and social services charities warned that the health service would face an uncertain future if the Government implemented the reforms without public or professional

support.
The charities said it appeared that the Government regarded the model patient as "a person in a supermarket with time and money to spare in a health care system." Many patients did not come into this category. The elderly, the disa-bled, ethnic minorities, the homeless and families with large numbers of children already had difficulty finding general practitioners willing to accept them and this prob-lem could increase under the

Government's proposals.

Competition in health care meant that there would be winners and losers. The losers

winners and losers. The losers were likely to be from the most valuerable groups.

The Mori survey found that 62 per cent of those questioned, including non-Tory voters, thought the reforms would lead to poorer standards of health care.

Mr Robin Cook, health Mr Robin Cook, health spokesman for the opposition party, said the reforms could lose the Conservatives 1.5m votes and many marginal seats at the next election. Of 575 Tory voters questioned, 82 per cent would be happy with the said of the convent form if it cent would be happy with the NHS in its current form if it were properly funded and 77% thought it was under-resourced - 43 per cent thought the reforms would lower treatment standards against 38 per cent who thought standards would rise

would rise,

If the reforms went ahead, 2
per cent said they were certain
in switch votes away from the Conservatives, 3 per cent were very likely to switch and 7 per cent fairly likely to switch.

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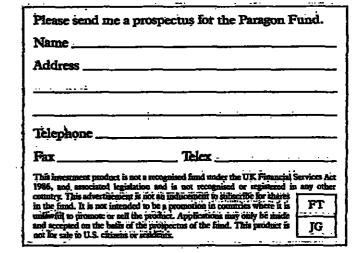
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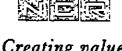
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AND ANOTHER Court of Appeal (Lord Justice Dillon, Lord Justice Lloyd and Lord Justice Farquharson): August 3 1989.
The Inland Revenue may for him to receive the tax

revoke tax credit clearance given in respect of capital share dividends payable to a foreign Treasury by a UK company, if it doubts it was right to have given such clearance in that sovereign immunity from tax may not apply, and the foreign Treasury would be the foreign Treasury would be benefiting from an artificially produced tax credit not available to other shareholders.

The Court of Appeal so held when dismissing an appeal by Camaco Corporation and Cam-brian and General Securities pic, from Mr Justice Kennedy's decision refusing their applica-tion for judicial review of an Inland Revenue decision to revoke a tax credit authorisa-

LORD JUSTICE DILLON said that at the end of 1988 Camacq, an American company, made a public offer to acquire the whole share capital of Cambrian, a British com-

According to US tax law, unless Camacq could acquire not less than 80 per cent by August 3 1989, Camaco and its parent company might face US tax liabilities equivalent to

Camacq acquired 70 per cent. The remaining 30 per cent included 20 per cent held by an escrow agent for the benefit of the US Treasury as part of a penalty levied against a US

criminal. Camacq wanted to acquire those shares, but could not increase the public offer price, which the escrow agent had not accepted, because that would be contrary to Takeover

The parties negotiated alternative arrangements by which a dividend would be declared by Cambrian on its capital shares, payable out of capital profits. On payment of the divi-dend to the escrow agent he would become entitled to tax credit equivalent to the advance corporation tax pay-able by Cambrian.

That would increase the money received by the escrow agent for the shares by some

the Code.

The contract negotiated between Camacq and the escrow agent was conditional on Inland Revenue clearance

Payment of tax credit to a foreign state could be achieved either by the state's applica-tion to the Revenue after receipt of the dividend; or by Revenue authorisation to the company to pay the amount of the advance corporation tax (which was necessarily equiva-lent to the amount of the tax credit) direct to the foreign state with the dividend, thus by-passing the procedure of payment to and claim from the Revenue.

The latter procedure was covered by Regulations made in 1973. The arrangements were made at the Revenue's discretion and could be

revoked at any time.
On June 8 1989 the Inspector of Foreign Dividends authorised Cambrian to pay the pro-posed dividend to the escrow agent with the amount of the tax credit. On June 29 the Inspector

learned that Cambrian was proposing, on the following day, to send a circular letter to capital shareholders aurouncing the dividend. He had doubts as to whether in the peculiar circumstances it was appropriate to pay tax credit to

the escrow agent.
In view of the urgency, as the circulars were to be sent the next day, he decided to revoke the authorisation.

. Cambrian and Camacq applied to the Divisional Court for judicial review. Mr Justice Kennedy refused to quash the Revenue decision. Cambrian and Camacq appealed.

Proceedings relating to income or advance corporation tax were outside the scope of the State Immunity Act 1978 (see sections 1, 11 and 16).

Where a company resident in the UK paid a dividend, it became accountable for advance corporation tax, and the recipient of the dividend was entitled to tax credit equal to the amount of the tax (see sections 20 and 231 of the

Taxes Act 1988). Section 232(3) of the 1988 Act provided that where a dividend was income of a foreign government, that government was entitled to a tax credit to the income tax. That was qualified, however, by section 235, by which exemption from tax did

mot extend to dividends arising from pre-acquisition profits.

The purpose was to prevent a tax avoidance device under which shares on which divi-dend was to be paid, were transferred so that full tax credit could be recovered by the transferee, though attribut-able to pre-acquisition profits on which the transferor could

not have claimed credit.
Inland Revenue practice, as set out in its affidavit, was that a foreign government, though not normally entitled to relief under a double taxation agree-ment, might be entitled to tax credit by virtue of section 232(3) of the Act. Where it enjoyed sovereign immunity the government was not sub-ject to UK income tax on the dividend and was therefore entitled to have the whole of the tax credit.

The difficulties in the present case stemmed from the unusual nature of the divi-

It was apparent to the Inspector that the escrow agent had rejected an earlier offer by Camacq to purchase the shares, which would have netted him approximately \$32.5m; that the present trans-action was stated specifically to be structured to net him \$41m; and that the difference between the two figures were wholly or mainly attributable to the tax credit of approximately \$8m.

In the circumstances the Revenue doubted whether the escrow agent had the benefit of sovereign immunity. It revoked the authorisation. It drew his attention to the fact that the profits from which the dividend was to be paid appeared to be pre-acquisition profits.

It said the dividend seemed to have been artificially arranged to take advantage of UK tax rules in circumstances in which, under section 235 and article 10 of the US/UK Double Taxation Agreement, the tax credit might not be available to other sharehold-

In those circumstances there was no doubt the Revenue had and Timothy Breman (Pulsi good cause to revoke the Recemue solicitor) authorisation.

There was no binding rule that it must give consent to payment of the amount of tax

credit by the company direct to

It had given such authorisa tion, but on further matters coming to its notice which made it doubt whether it was right to have done so, it was entitled to revoke it.

In view of the imminent sending out of the circulars, it was bound to act promptly.

The appeal was dismissed. LORD JUSTICE LLOYD agreeing said that the reason given for the cancellation was given for the cancellation was that the Revenue was doubtful whether sovereign immunity applied where a foreign state was obtaining the benefit of an artificial arrangement designed to produce payment of a tax credit in circumstances in which neither a IIK now a IR which neither a UK nor a US taxpayer would have benefited.

Mr Donaldson for the companies argued that a doubt in the Inspector's mind was not enough. He said the inspector was obliged to express a view one way or the other. If he had, the court would be entitled to examine that view so as to see whether it was correct in law.

That argument was not accepted if the Inspector had never given his original authorisation on June 8, he could not have been compelled. to do so by way of judicial

If he had expressed a doubt at that stage there was nothing the two companies could have done about it.

The position was not changed by granting the June 8 authority, so far as judicial review was concerned, unless the authorisation had created some sort of estoppel. That was not asserted. The doubt created in the

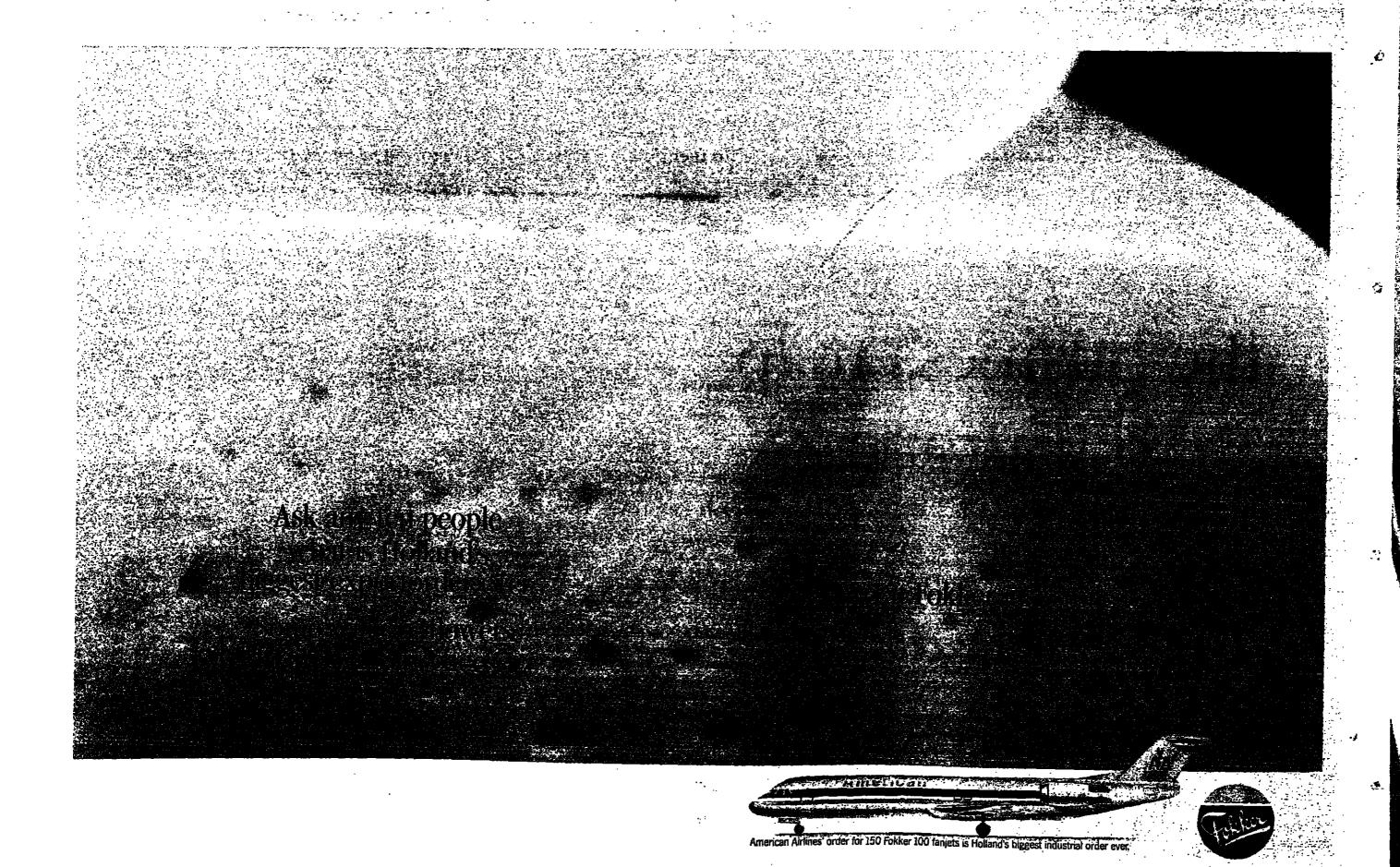
Inspector's mind by further information received subsequent to June 8, was in itself sufficient reason to justify the cancellation.

LORD JUSTICE FAR-QUHARSON agreed with both judgments.

For the companies: David Don-aldson-QC and Andrew Green (Freshfields)

For the Revenue: Ion Glick QC

By Rachel Davies Barrister



ion Glet (c man (lebel

el Davis

"I don't agree with the White Paper at all on the idea of cash bids for television franchises."

Rupert Murdoch, most ardent of free marketeers, said in his recent speech at the Edinburgh Television

Festival that he was against the auction of the ITV franchises as proposed by the Government's

White Paper on Broadcasting.

White Paper on Broadcasting.

He is just one more in the long line of those who have stood up and declared their opposition to this proposal.

To mention but a few:

which will benefit only the Treasury."

Mrs Jocelyn Hay, Voice of the Listener.

Rupert Murdoch 25.8.89.

"Even in the US, broadcasting licences have been awarded, not auctioned off, by the Federal authorities. France sold off its first national television channel TFI, to the private sector in 1987, but did so after fixing a price and then choosing between those who were prepared to pay it."

Financial Times.

"Out of uncertainty and ignorance, therefore, there is a good chance that some bids will be pitched uneconomically high.

If he's not for it, who is?

"Criticism of the proposals has been almost universal. It has come not only from the industry but also from the Consumers' Association, the Peacock Committee and even most of Fleet Street. If enacted, the proposals will be bad for business, the consumer and Britain's image abroad."

Dr Patrick Barwise, London Business School.

"The Home Secretary's statement that television franchises are to be auctioned off to the highest bidder makes a mockery of the Government's claim to place the viewer at the centre of broadcasting policy. Not one consumer body responded favourably to this idea

And that is not to dismiss the 'power and prestige' bids from those who simply want to hold a franchise, at whatever cost. There will be some of those."

Kleinwort Benson, Merchant Bankers.

"We urge the Government to look very carefully at the implications of the proposed [tendering] system. We would regret it if the high cost of acquiring a TV franchise on Channel 3 discouraged the licensees from providing a high quality service which attracted viewers of all categories and ages."

Incorporated Society of British Advertisers.



ndrew Kluge, managing director of Super-cover (Bolton), which makes plastic rain hoods for push chairs, had to keep putting off plans to introduce a piece-work system for his assembly line because of pressure of work.

Supercover, with a work-force of 70 and projected turn-over this year of £1.5m, had been growing at such a fast rate that there was never enough time to sit down to work out the details. "In a small company you have priorities and those at the bottom of the list just don't get done,' says Kluge.

Finally Kluge called in outside help and last summer a work system was introduced for the 12 men in the assembly shop. The outside help consisted not of a professional management consultant studies but of a third-year textile technology student, Patrick Brennan, from the Bolton Institute of Higher Education. Brennan's formal qualifica-

tions for the job were a business management course which had formed part of his textile studies and a textbook he brought with him on the subject of piece-work syste More important was his fresh, outsider's view of Supercover's problems and his enthusiasm

Kluge is just one of a growing number of smaller busin managers to entrust important aspects of their company's development to the enthusiastic amateur. Brennan was among 285 students to spend eight weeks last summer working with a small firm as part of the Shell Technology Enterprise Programme (Step).

The programme is intended to break down mistrust between entrepreneurs and undergraduates and to give students experience of working in a smaller company. Unlike a sandwich course placement, which aims to produce a better engineer or chemist, the Step programme is intended to make the individual more enterprising and give him or her the confidence to take decisions, change things and use in itiative.

The students earn £75 a wee'k for eight weeks, most of which is paid by Step's spon-sors, with a total of £150 in wage: being provided by the small firm.

Step has just completed its third year. Devised in 1986 by Shell UK and run by Durham University Business School, it placed 20 students in the north-east of England in its

Students take first steps into business

Charles Batchelor reports on the benefits of a scheme which brings amateur expertise to corporate problems



Patrick Brennan (left) saved Andrew Kluge £18,000 a year

first year and now covers much of northern England, Scotland, Wales and Northern

The result of Brennan's work for Supercover was dramatic. Productivity in the assembly 60 per cent in the first week of the scheme and is expected to settle at around 50 per cent. Earnings have increased to reflect the rise in productivity but Supercover still expects to save around £18,000 a year from the new method of pay-

Kluge acknowledges that there was a risk in entrusting such a delicate task to a newcomer. Brennan's research into productivity levels could have antagonised the workforce and harmed labour relations. It could simply have proved unsuccessful and a waste of

Kluge says he was sceptical that a student "wet behind the ears" could handle the job but he interviewed several applicants and was impressed with Brennan, who, at 26, was older than most and had had work experience. "But I felt confident Patrick could do the hard work and produce recommendations which I could take as they stood or tweak the way I wanted." One or two of Brennan's suggestions were "too technical." says Kluge but Brennan soon settled in and established a good relationship with the workers he was

Though Brennan did not bring any specialist skills to his Step placement, sometimes students do have expertise which can be applied directly to the project.

Lynne Purnell, a 20-year old maths student at St Andrews University, was able to make use of her studies in her project at Velden Engineering, a Rolton-based subcontracting company with turnover of £3m workforce of 100 people. Alex Kitchen, managing director, says the chance of having a student with maths skills was "too good an opportunity to miss."

Velden has used computers in parts of its business, including a bar-coding system for production control, for the past five years. But the company was keen to integrate the different elements into a single system covering the entire process from customer enquiry to

invoicing and delivery. Standard software packages do not cover Velden's need for a system which would calculate manufacturing times and prices, says Kitchen. He calculates he would have to spend up to £200,000 on buying in custom-tailored software so in order to reduce costs he

wanted to do as much as possible of the preparatory work

Purnell says she only realised how ambitious Velden's plans were when she met other Step students who were also working on computer projects. They were amending existing computer systems," she says.
"We were the only ones attempting to write brand new programmes from scratch using the latest database tech-

mology."

Kitchen reckons Purnell did much of the "nitty gritty work" and helped the company get well into the early stages of devising a new software system. tem. He compares her contri-bution to that of a management consultant, someone with an outsider's detachment and the time to look at problems for which managers and super-visors had no time.

Sportswise, a Maryport, Cumbria-based manufacturer of first-aid kits for walkers and sailing enthusiasts, was another company to benefit from this outside perspective. Michael Gregson, managing director, had devised a discount offer for people going on expeditions.

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per cent off the purchase price. The retailer redeemed the The retailer redeemed the voucher with Sportswise. The effect of this arrangement was to depress Sportswise's margins and give all the benefit of the promotion to the retailer. Yet for a three-year-old company with projected turnover of just £120,000 in 1989-90 every round of profit is essential.

pound of profit is essential. Samantha Dockwray, a 19year-old psychology student at Sheffield University, was ini-tially asked to design a voucher for the discount offer. But when she looked more closely at the offer and realised its financial implications she suggested changes. As a result, expedition leaders now get their first-aid kits directly from Sportswise. They still get the discount but by paying direct they increase the company's

Gregson originally planned for Dockwray to design and produce a newsletter for the company but when he realised the likely cost of such a ven-ture the idea was dropped. So Dockwray turned her hand to general publicity. She resigned the point-of-sale packaging to achieve a stronger impact and compiled a brochure of press cuttings. In all, Dockwray calculates she carried out 15 different projects for the company.
"I am too close to it." says

Gregson. "Samantha came in om a distance and said: If this is the message you want to get across they you must say this.' Someone coming in from the outside can come up with some valid and perceptive points." Kluge, Kitchen and Gregson were all very pleased with the work their undergraduates carried out but the placements do not always run smoothly. Some students complain they are not given enough direction by the managers while on one occasion this year the project proved too ambitious for the student's technical knowledge.

But for the most part both sides gain considerable benefits. The students contribute in very important areas of the business's development while at the same time gaining per-sonal and business skills. "It seemed a mammoth task on the first day or two," recalls Patrick Brennan. "I felt Patrick Brennan. "I felt ploughed under at first but then away you go."

Contact David Mullen, Dur-

ham University Business School Mill Hill Lane, Durham DH1 3LB. Tel 091 374 2000, or Shell Enterprise Unit, Shell-Mex House, Strand, London WC2R ODX. Tel. 01-257 4000.

was sent a voucher giving 25 | Starting up in Spain

Untangling the red tape

Charles Batchelor reports on Mertek's experiences

tarting a business in your own country can be difficult enough. BeginUnlike in the UK, businesses
Unlike in the UK, businesses ning in a foreign country is even more of a challenge.

Malcolm Robb, a Scotsman, decided to set up in business for himself in Spain when his employer, Seaway Technology, decided to close down its office in Tarragona, near Barcelona. Seaway had been engaged in oil exploration survey work off Spain's Mediterranean coast but had barely managed to make profits against the local

competition.

Robb reckoned that the business could make profits if it were run as an independent operation. He had also spent his savings on having a house built in the mountains behind Tarragona so he was reluctant to return to Britain.

Together with a Spanish col-league, Victor Valck, Robb struck a deal with Seaway to take over the office furnishings and some survey equipment instead of claiming the statutory redundancy payments; in Spain these can be punitive.

Robb, who is 37 years old, has technical skills — like Valck, who is 44, he is an electronics engineer - and had five years' experience of work-ing in Spain. What he lacked was the expertise needed to run a business of his own, "I read every book dealing with start-ups that I could get my hands on," he recalls.

A Spanish Government scheme to help the unemployed start up in business provided the two men with a down payment of Pta 1.5m (£7,800) each. "Rather than put you on social security the government pays you the equivalent of two years' benefit in a lump sum if you can produce a plausible business plan," says Robb. The government does not, however, back up the money with any advice.

The two men continued to do some work for Seaway but started to look for other customers; and to help foreign companies engaged in survey-related activities to market

themselves in Spain. The expense and the time taken to set up a company in Spain meant the two men thought hard about choosing the right company name. They finally chose Mertek, a modified abbreviation of mercado for Telefonica, the Spanish

cannot be bought "off the shelf." They must be individually registered, a process which can cost up to £5,000 in profes-sional fees and official licences and which can take four to five months. Robb got off to a slow start by going to a lawyer who wrote long formal letters but after three months had made

no progress.

He then went to a younger, more aggressive bookkeeper or "gestor" who sorted out their application in a matter of

They also made a disastrous attempt in their first year to diversity into sewer inspection. They spent £15,000 of their £25,000 savings on buying the equipment only to discover there was no market.

"It was a total flop," says obb. "We found that the Spanish do not like looking for problems which can be

"You can say your children are starving to death. That usually works"

ignored." Three years later, however, they are starting to find uses for the equipment such as inspecting dam bases. They also discovered that

marketing in Spain could only be done by personal visits. A half-page colour ad costing 2500 in the local daily paper was a complete failure. Even advertisements in specialist trade magazines produced no response. "No one reads the ads," says Robb ruefully.
Writing letters introducing

the company also had no effect
- but if a letter was followed by a telephone call Robb and Valck could usually get an interview. The first year in business

produced turnover of just £70,000 though this rose to £120,000 in the second year when Mertek began winning contracts to represent overseas companies such as AT&T, the US telecommunications group, and British Telecom, which were entering the market for marine telephone cable instal-lations. This led to contracts telecommunications group. In its third year Mertek expects turnover to rise to 2250,000, 80 per cent of which will be from UK companies; Robb expects that helping overseas companies operating in Spain will form a growing

part of the business. Profit margins are good but Mertek has to keep a close eye on its cash flow and make sure that customers stick to its pay-ment terms. Mertek's British customers pay in 30 to 40 days but Spanish companies expect to delay payment for between 120 and 180 days. Government departments

expect 120 days' credit but Robb says he insists on pay-ment within half that time. 'I would turn a job down rather than risk a serious cash flow problem," he asserts. "We start hasing payment on day 31. We have never had to get nasty though we have had to put the squeeze on. You can't resort to the law but you can say that your children are starving to death. That usually works."

Tax and VAT have to be paid quarterly but any repayments are only made once a year which adds to the pressure on cash flow. In fact, Robb says he considers the VAT repayment £3,500 last year — as a form of hidden savings.

Like most small businesses in Spain Mertek makes use of an independent bookkeeper or "gestor" who keeps the books up to date; deals with social security payments; and han-dles most of the voluminous paperwork which the local bureaucracy imposes. When Mertek rented a ware-

house, for example, the local authority required reams of information on what materials it intended to store, what staff it would employ, who its cli-ents were. Similarly when it set out to change the telex code from the one used by Seaway, the local office of the telecommunications authority said the machine would have to be disconnected and a new one applied for. Robb had to go to e head office in Madrid before the authority would agree simply to change the

time-consuming," says Robb. When you are starting a business it is the last thing you

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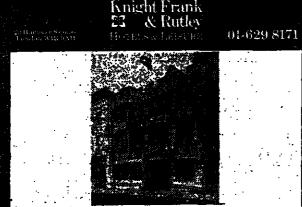
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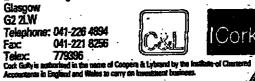
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Much more to see than military history

William Packer is taken with the variety of museums in Northern France

The Pas de Calais is steeped in the common history of France and England, but unless one's interest is in military history from Agincourt to Dunkirk, the region remains for the British traveller that first stretch of indifferent countryside that one gets through as quickly as possible for Paris and the South. But the France at our doorstep has

never been more accessible, and with the tunnel in prospect can only become more so. Last week, in a party of critics and journalists, I was the guest of the Association des Conservateurs des Musées du Nord Pas de Calais. There are some 30 member museums, of all kinds, in the towns and cities of the region, and between Wednesday and Friday we were shown 13 of them by their enthusiastic and, for the most part, young curators. They were fasci-

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Salar Salar

The Museum of Contemporary Art at Dunkirk is set within a most in a land-scaped park, with the sea as its backdrop. Dating from the early 1980s, externally it is the most impressive of the newer buildings and alone worth a visit. Its collection has yet to expand significantly beyond the personal taste of Gilbert Delaine, on whose gift it is founded, but the new mayor is ambiting for its development and a positive for its development. tious for its development, and a new curator has been appointed: we shall

The Museum of Modern Art at Villeneuve d'Ascq, too, dates only from 1983 and again is set in a public park, with sculpture browsing on the grass. Its low brick building is the more self-effacing, but considerably more sympathetic in its interior to the practical business of showing art. Its core is the collection begun in 1905 by Jean Dutilleul and carried on by his nephew, Jean Masurel. Though again qualified by the quirks of a personal taste, its strength is in the School of Paris of the early 20th contrary with major heddings in 20th century, with major holdings in the work of Picasso, Derain, Leger, Lau-rens and Modigliani.

The two most beautiful modern art museums are set in old buildings adapted to the purpose. The Museum of Drawings & Prints at Gravelines is set in the town's Vauban Fortress and Arsenal, laid out in the 17th and 18th centuries with ramparts, re-entries and entillades worthy of Tristram Shandy's Uncle Toby. The current show (about to transfer to Lyon) is a retrospective of grafted onto a 19th century mansion. the etchings of Jacques Villon, tracing These are the most handsome exhibi-

his personal development through cubism from the 1900s to the 1940s. That a small town and a tiny museum can aspire to exhibitions of the highest quality is a point immediately confirmed by the Musée Matisse at le Cateau-Cambrésis. Matisse was born in the town and the museum was the only one he himself established. It moved to the 18th century Palais Fenelon in 1982. The collection covers the full range of the work, with painting, sculpture and collage from all periods, but is especially strong in the drawings. Special shows apart, a representative selection of the work is always on view.

But the more very charm of the least

But the more usual charm of the local museum, great or small, is its miscellaneity. The Municipal Museum of Saint-Amand-les-Eaux, as its curator put it, may be the region's smallest museum but it is by far its tallest. A fine collection of local coramics is housed in the tion of local ceramics is housed in the bell tower, all that remains of the ancient Abbey. Built by an autodidact, this a bizarre inventory of the architectural orders has in its top a carillon, on which we were treated to an impromptu concert that began with "Summer

The museum of the Hospice Comtes at Lille is essentially a museum of local history, with its tiled and panelled interiors. At Doual, the museum in the old Charterhouse is strong in Flemish painting of the 15th and 16th centuries, but with a miscellany that extends to a Giambologna Venus, a Venetian woman by Veronese, a Van Dyck gentleman, Rubens, Ruysdael, Chardin, Nattier, de Troy, Corot, Courbet, Pissarro, Bon-nard, And at the museum in the Hôtel Sandelin at Saint-Omer, the quality of the assortment is, if anything, even higher, making it the perfect small museum. Downstairs a row of period rooms is exquisitely set out, with paintings by Greuze and Boilly, Holbein and Gerard David, upstairs cabinet upon cabinet stoffed with porcelain, a room

full of armour. The civic museums of Calais and Dunkirk are in modern buildings repla-cing those flattened in the War, and though both place the emphasis on the fine arts, they too have their miscellaneous side, Calais with its lace and local history, Dunkirk with its wonderful model boats. The Musée des Beaux Arts at Tourcoing is an engaging hybrid, with ample 1930s galleries



"The Finding of Moses" by Johann Liss, at the Musée des Beaux-Arts de Lille

tion spaces of any we saw, and perfect for contemporary shows. The perma-nent collection, hung generously in the largest hall, includes the charming large equestrienne by Carolus-Duran and the extraordinary Sarah Bernhardt by Georges Clairin, stretched panther-like and predatory upon her tiger skin. The Musées des Beaux Arts at Lille and Valenciennes are major institutions by any standard, and particularly strong in the Flemish and Dutch schools. Valenciennes is the smaller but, among much else, boasts a large collection of paintings and sculpture by Carpeaux, some delicious Paters, a great portrait by Watteau of the Pater's father, and major religious works by

Rubens and Janssens. The modern col-

lections were not on show.

Lille is extensive if uneven, strong in Dutch and French painting from Rub-ens to Lautrec. At every turn there are splendid things - van Goyen, David's Belisarius, Bollly's Triumph of Marat and a wall full of studies of his friends. There are two wonderful large Goyas, El Greco's Saint Francis, Rodin maquettes, two heads by Camille Clau-del and a bas-relief of the Feast of Herod that is the only Donatello in France outside the Louvre. The early 17th century Johann Liss, of the Finding of Moses, is as fresh and free as can be, a real surprise.

The Paul Nash exhibition reviewed last week is at the Towner Art Gallery, Eastbourne.

Lucia di Lammermoor

There are few more invigorating experiences for a tired hackthan a production that didn't quite work returning transformed. Such is the se with the Welsh National Opera's 1986 Lucia. The names of William Gaskill and Ultz are no longer in the programme, but their interesting semi-abstract concept, more John Buchan than Walter Scott (and why not?), now justifies itself triumphantly in Rennie Wright's extremely skilful re-

staging. Belief in the piece's dramatic viability shines through Wright's direction, nowhere more brightly than in the scene for brother and sister at the opening of the second act, which is as painful as it should be, and the pain lasts right through to the end of the Mad Scene. He is fortunate, admittedly, in interpreters as force-ful as Frances Ginzer (a properly spirited as well as an unstable Lucia) and Mark Hol-land, the bullish, unimagina-

But the real revelation is in

the pit. Sir Charles Mackertas conducts the opera that Donizetti wrote, not the much-tinkered-with score that until recently was the norm. Original keys are restored (it makes a hell of a difference), cuts are opened (the whole Wolf's Crag scene, as well as the shoot-out for Raimondo and Normanno after Lucia's death), all that late-19th-century nonsense with the flute is consigned to the dustbin where it belongs. Sir Charles kept a facsimile of the autograph at his side through-out rehearsals, and uncovered misreadings that escaped the eye even of Jesus Lopez-Cobos, an earlier Lucia-restorer of

verses are thrillingly apt.
The disposition of players in the pit follows 19th-centurypractice: Sir Charles stands in the middle, with strings placed antiphonally in front of him and brass and woodwind behind him facing the stage. Oddly enough, the woodwind spoke far more clearly (especially the vital clarinet), and the use of specially made nar-

row-bore trombones added a whole new colour to the orchestral palette. It will sound even more interesting in thea-tres without a pit. All of this would be of little avail were not Sir Charles a superb Donizetti stylist: his reading was of gripping dramatic fervour, revealing a living masterplece of ottocento theatre for which no excuses, historical or otherwise, need be made.

Miss Ginzer, whose lyric soprano has edge and character as well as the necessary agility, sustained the higher tessitura with ease; Peter Bron-der (Edgardo) followed period practice by sketching in an easy E flat from the head in the cadenza at the end of the first act; Alastair Miles was a sensational Raimondo; Michael Preston-Roberts turned Normanno from a minor into a major role. Seek out this Lucia wherever it may be lurking over the next months - it is a real eye-opener.

Rodney Milnes

The Who

NEC, BIRMINGHAM

The Who are playing the Birmingham National Exhibition Centre tonight and there are tickets available. It's all in a good cause, to top up the pensions of three middle-aged millionaires who, in their time, gave a lot of pleasure and who are still prepared to have a go. You

won't be disappointed. The Who were a cult band who failed to fade away. Their era was the Britain of the late sixties, of the marching Mods, but a bizarre fate decided that they should also act as midwife to that dire decade, the seventies, when pop took itself seriously. The result was Tommy, the first rock opera and the last.

Tommy gave The Who a reputation and riches and the overwhelming impact from this three-hour show, their first for seven years, is that the money has been shrewdly spent. There is enough brass on stage to hold a military parade; a drumkit as big as a battleship behind which new drummer Simon Phillips performs miracles, aided by a Robin-like percussionist Jody Linscott: backing singers who also act as contortionists; and enough light and sound to satisfy Wolfit playing King

Roger Daltrey, the Dorian Gray of pop, still stomps his foot and twiris his mike lead and usually manages to catch it; Pete Townshend handles his guitar much better than most senior editors at Faber and Faber (in fact really rather well) and parodies his former self with a few windmill attacks of the arms and even the occasional scissor kick; while John Enwistle on bass has obviously not moved for 20 years, a stolid, efficient, back-room bass player who has turned white in his devotion to a solid beat.

You look for the cracks but there are few. Townshend, the star performer, avoids the much touted protective shield on the side of the stage to ease his incipient deafness, but the

trio seem to have litle genuine no body contact - and, of course, much of the repertoire is pretty mundane.

But with the resources behind them operating at full blast The Who deliver some impressive early songs, once the tedious *Tommy* medley is despatched. Daltrey is perhaps confused about who he is singing "My Generation" for and lets the enthusiastic audience spit out most of it, but "Substitute" was a real winner and "Won't get fooled again" keeps its bite. The Who's attempts to be verbal yobbos are hardly seemly at their age but if the raw energy of the past has been replaced by a music machine this was still an enjoyable experience. and it was rather sweet to see the band's teenage kids bopping on the side of the stage where the groupies used

Antony Thorncroft

Tartuffe Today

LYRIC THEATRE, BELFAST

spin round the highways and byways, leaving the Lyric's Tartuffe Today to keep the home fires burning. It does so with a feeble flicker far removed from the white hot comedy of Molière himself. It is unfortunate that Jonathan Myerson's production goes so wrong, since the equa-tion of Mollère's religious hyp-ocrite with a sanctimonious clerical imposter gies it an makes a smooth transition to Simon McCluless, wealthy Bel-fast estate agent and fulmina-tor against "the scarlet harlot of Rome and that Fenian lackey, Runcie." His daughter Marion prances around in school uniform, while her bull-ock of a rugby-playing boyfriend props up Ireland's sec-ond row, and Molière's lady's maid is transformed, in deference to the times, into a pertly managing niece, adopted by McCluless after the death of

The 200th anniversary of the McChuless's sectarian higotry french revolution is marked could be so mindless as to by a double dose of Meilers in blind him a spongeing humbug for L'école des Femmes has platform for Mollèrian comedy, taken the Arts Theatre on a but one from which the structural problem in the production never quite manages to leap. The problems begin with John D. Stewart's adaptation, uneasily updated from 1971 when its replacement of the original verse with a brittle idiomatic prose would probably have seemed more adventurous, and more idiomatic, than it does

today.

Nothing dates more quickly than the language of satire. Giving Tartaraghan a cellular phone and adding references to Runcie are merely cosmetic changes to a play in which a grandmother's condemnation of the corruption of youth is expressed as "you Vanessa Redgrave, you," and Tartaraghan's moral anathema are summarised as "mini-skirts and bikinis and pornography. Mini-skirts and pornography, perhaps, but surely not bikinis. The problems are intensified by an absence of the sort of make one believe in Tartaraghan's capacity for

farcical hysteria that might

central scene of exposure when Fay Howard, desperately overcompensating as his wife, Riemor, pretends to seduce the Instful cleric on the understanding that her husband — secreted in the conservatory - will rescue her

Sean Caffrey does, to be fair, do his best for Tartaraghan, hair smeared across a bad patch that is perpetually scarlet with uncontainable lust or contained moral outrage, while Ann Hasson turns in a neat performance as the smart, manoeuvering niece, Doreen. But things have come to a pretty pass when the biggest laugh of an admittedly thin house is raised by the repeated slopping of alcohol from the glass of McCluless's right-minded but wrong-footed brother-in law, played by Malcolm Douglas with the gormless aplomb of a extra from a Ben Travers farce.

Claire Armitstead

Pinchas Zukerman

Zukerman's appearance on Sunday afternoon was the start of the Barbican's series of celebrity recitals. Partnered by Marc Neikrug, he offered a fresh, well-balanced programme — Schumann's violin music is not heard as often as it might be — but his playing was almost uniformly pallid on short of ideas.

At first it seemed simply as if Zukerman was taking time

to settle and to adjust to the size of the hall. Stravinsky's Suite Italienne, given not in the standard violin-and-piano version in six movements, but an earlier arrangement without the Scherzino, was an almost perfunctory run-through with some strange tempi and a positively funereal start to the final minuet, and delivered with strangely

Parts of Beethoven's Sonata Op.12 no.3 were equally uncertain, though the slow movement at least began to take shape, and the phrasing to acquire a sense of purpose. But neither Zukerman nor Neikrug seemed willing to take firm control - the planist's main contribution was to introduce an alarming deceleration in the middle of the first movement. Schumann's Three Romances Op. 94 are better known in the version for oboe and plano, but the score does include violin as a possible alternative. The scoring, though, does demand the extra astringency that a woodwind instrument can bring, and Zukerman in this mood was unable to bring sufficient freshness to the phrasing or crispness to his sound to lift the solo line clear of the accompaniment.

In Schumann's First Violin

Sonata too, little imagination appeared to have gone into the performance; there are some marvellous things to be quarried from the work – a casually elegant slow movement which is a close cousin to the intermezzo of his piano concerto, tingling canonical writing at the opening of the finale. But both players were content to skate over the surfaces, never to be faulted technically -Zukerman's facility is as impeccable as ever, and Neikrug followed him watchfully – yet never daring to add creative ideas of their

Andrew Clements

The Neville Brothers

TOWN AND COUNTRY CLUB phonist Charles, 50, and baby

The Neville Brothers are a band whose time has come. Long-time legends in their native New Orleans, the Brothers have languished in relative obscurity since the mid-1970s, robbed of wider exposure in America because of an eclectic musical style that defied easy classification and political views that did not conform to the strict demands

of US radio. of US radio.

Now things have changed.

Buoyed by the support of a few notable aficionados such as Rolling Stone Keith Richards, this year's album, "Yellow Moon", has proved a critical and commercial success. Their two dates in London this weekend were sell-outs, attracting both old and new fans, plus a sprinkling of pop's glitterati. But the Nevilles are not let-ting the adulation go to their heads. With singer Aaron, 48,

keyboard player Art, 51, saxo-

they are no overnight successes and their feet remain firmly planted in the rich soil of the Deep South. The sound of the Neville

brother percussionist Cyril, 40,

Brothers is a potent Creole broth. Built on an earthy rhythm and blues stock, the Nevilles' jambalaya is laced freely with ingredients of spicy funk, sweet soul, red-hot reggae, breezy jazz, topped with a sprinkling of doo-wop, cajun and rock and roll. It is food for the heart and mind that would satisfy most appetites.

On Saturday night at the Town and Country club in north London the brothers were in top form, whipping up a Mardi Gras storm that Hurri-cane Hugo would have been

roud of.
Cyril Neville's percussive talents on the congas, timbales, whistles and cow bells stitched

a strong Afro-Caribbean seam into the multi-layered sound, while Charles' snake-charming saxophone and Art's stirring keyboard work added the haunting quality so evident on the band's recorded work.

The songs from the new album worked particularly well. "Voo Doo" was loud and funky enough to summon up the spirits from every swampland this side of the Bayou, while the rousing rap of "Sister Rosa," a tale of civil rights and racism, carried the stamp of genuine political commitment. On the slower numbers, Aaron Neville came into his own. His clean falsetto breathed new life into the Sam Cooke classic "A Change is Gonna Come," Bob Dylan's hymn "With God on Our Side,"

and his own solo 1966 hit, "Tell It Like It Is.' **Patrick Harverson**

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FINANCIAL TIMES

ANSTERNA LEUTINE

ARTS GUIDE

OPERA AND BALLET London

Royal Opera, Covent Garden.
The new attempt at a Royal
Opera Ring opens with Die Walkire, in a production by Götz
Friedrich adapted from his Berlin
staging. Bernard Haitink condestin and the cost inchides ducts, and the cast includes James Morris, Gwyneth Jones, René Kollo, and Gabriele Schnaut. Thomas Allen gives a Covent Garden recital on

Wednesday. English National Opera, Coliseum. Knrt Weill's magnificent "Broadway opera" Street Scene comes to London after being shown by Scottish Opera earlier in the year. David Pountney's production, designed by David Flekding, is conducted by Carl Davis, the cast includes Kristine Ceshaki, Janis Kelly, Bonaventura Bottone, and Richard Van Allan, Further performances of the surreal, vividly theatrical production of Verdi's A Masked Bull, by producer David Alden, designer David Fielding, and conductor Mark Elder, with Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie in leading roles; and of The Mogic Fluts; conducted by Alex Ingram, with Thomas Randle, Joan Rodgers, Nicholas Polwell and John Connell.

Paris

Théâtre des Champs Elysées. Der Rosenkaoalier is performed by the Paris Opera Orchestra, conducted by Georg Schmoene

in a new production, co-produced by the Théâtre Des Champs Ely-sées, the Montpellier Opera and the Nantes Opera (4720567). Théâtre de la Ville, Jirl Kylian and the Nederlands Dans Theand the Nederlands Leas Insisted a ster come with a programme often influenced by Czech folklore and Slav nostalgia (42742277); followed by Karine Sagorta and her company with Spanish inspired Les Toureux.

Spanish-Inspired Les 10 de Chimene (42742277).

Staatsoper. L'Alisir d'Amore is conducted by Ralf Welkert, with Alida Ferrarini, Noriko Sasaki and Rolando Palerai; Don Carlo, conducted by Claudio Abbado, conducted by Cataland Antian, has Alida Ferrarini and Fran-cisco Araiza in the leading roles; Fidelio is conducted by Adam Fischer and sung by Klizabeth Connell, Joanna Borowska and Hans Sotin; the cast of Salome includes Eva Maria Bundschuh and Heinz Zednik. Volksoper. The week's operat vonstoper. The week is to had des Lächeins, Kiss me Kate, Gaspa-rone, Wiener Blut, Die lustige Witner, Eine Nacht in Venedig,

Die Zauberflöte.

Berlin Opera. Arabella, produced by Gernot Friedel will have its pre-miere this week with Lucia Popp in the title role, Angela Maria Blasi, Bernd Weikl, Peter Sciffert and David Griffith and conducted-by Guiseppe Shopoli. Guest appearance of the Leningrad Railet with Tohalkovsky's Schwanenses. Zar und Zimmermonn brings Gudrun Sieber, Bar-bara Scherler, Andreas Schmidt and Peter Maus together. Car-men, sung in French, has Lud-mila Schemtschuk, brilliant in the title role. Stuttgart

Opera. Turnhäuser stars Reiner Goldberg in the title role, Wal-trand Meier, Verena Schweizer and Matthias Roelle. Der Freisand Mathias Research produc-tion returns with Helena Dosse, Unike Sonntag, Wolfgang Probst and Toni Kraemer. Also offered Fidelio and La Concentola. Giselle und die Wilis is choreographed by Maricia Haycee.

Opera. Spartacus, the new ballet production, choreographed by Bonn's director Yuri Vamos, proved a sensation, when it opened. Aida is directed by Jaques Carpo and expertly con-ducted by Bonn's music director Dennis Russell Davies and has an extremely strong cast with Rosalind Plowright, Lando Barto-lini, Livia Budai and Jean-Phihppe Lafont.

Opera. Il Burbiere di Siniglia features Marianne Rotholm, Michal Shamir, Bruce Ford, Enzo Dara, Alessandro Corbelli. Fire Dara, Alessandro Corbelli. Fire is jointly choreographed by Laura Dean and William Forsythe. La Bohème has Eliane Coelho making her debut as Mimi, Patricia Wise as Musetta, Alberto Caratido in the post of the p Alberto Cuptido in the part of Rodolfo and Bruno Pasquetto as Marcello. Britten's Ein Somachistraum rounds off the

Cologne

Opera. Madame Butterfly is sung by Hiroko Nishida, Tone Kruse, James Hoback and Jake Gardner. Also the rarely played one act operas by Rossini La Gambile di Matrimonio/Il Signor Bruschino with John del Carlo, Teres Ringholz, Janice Hall, David Kue-bler, Alberto Rinaldi and Carlos Feller. La Traviata has a strong cast led by Frances Ginzer, Fer-nando de la Mora, Paolo Coni and Erlingur Vigtusson.

Teatro Dell'Opera. Rossini's L'oc-casions fa il Ladro in the recent successful Pesaro Festival pro-duction (46.17.55). Teatro Olimpico. I Balli di Sfes-sonia: traditional Neapolitan-songs and dance performed by the Neapolitan di Canto the Nuova Compagnia di Canto Popolare di Napoli.

Teatro Alla Scala. The Bolshoi Opera takes the place of the Scala Opera Company, on tour in the Soviet Union, with Mussorgsky's Boris Godunov, Rim-sky-Korsakov's Mlada and Pro-kofiev's Duenna (80.91.28). Testro Nazionale. The Scala Bal-let Company dancing Balanchine's Quarro Temperamenti and Apollon Musagete, and Flem-ming Flindt's La Lecon (4896700).

New York Metropolitan Opera. James Lev-ine conducts Aida in Sonja Fri-sell's production with Aprile

October 6-12

Millo, Placido Domingo and Sher-rill Milnes, in a week that also includes Porgy and Bess with Priscilla Baskerville and Larry Marshall, and Teresa Stratas in Puccini's Il Trittico (Il Tubarro, Suor Angelica, and Gianni Schicchi), all conducted by James Levine. Opera House Lincoln Center (362 6000). New York City Opera. The week New York City Opera. The week includes Street Scene conducted by Paul Gemignani, La Bohème, La Traniata and Hal Prince's new production of Don Glooanni. Lincoln Center New York State new production of Don Globann.
Lincoln Center New York State
Thestre (877 4700).
Martha Graham Dance Company. After his surprising resignation from the American Ballet
Thestre, Mikhail Baryshnikov

dances with one of America's premiere modern classic theatres in the mixed programmes from their extensive repertory. <u>Rads</u> Oct 22. City Centre (581 7907).

Washington Joffrey Ballet. Fortnight's engagement celebrates Nijinsky's 100th birthday with the first

Washington performances of Le Sacré du Printemps and Les Noces, as well as a world pre-miere by company artistic director Gerald Arpino. Ends Oct 15. Kennedy Centre Opera House

Lyric Opera. The opening production of Tosca with Eva Marton and Siegmund Nimsgern is conducted by Bruno Bartoletti in Deppe De Tomasi's produc-tion. Jiri Kout conducts Der enkavalier with Anna Tomo wa-Sintow, Kathleen Battle and Julian Patrick (332 2344).

Russians

FESTIVAL HALL Esa-Pekka Salonen is in

residence for much of the Philharmonia's October schedule harmonia's October schedule in London. His main work with the orchestra will be to lead the South Bank Ligeti Festival; but Sunday's concert of Russian music was mainly in the nature of a 20th-century-music fanfare. (The opening work, Balakirey's Islamey of 1862, in the 1884 orchestration by Lyanunov, was therefore in the punov, was therefore in the nature of a fanfare to a fan-

It was, by and large, an exhilarating occasion. There are certain things this immensely talented young conductor still can't do with an exhibit graph as make Balaka orchestra, such as make Balakirev's central Big Tune soar but many things that he can, and this concert seemed as good a way as any of displaying them.

The "sport" item was The Iron Foundry, Alexander Mossolov's steam and smoke piece of 1920s musical Futurism, which thunders and clanes away for five massively exu-berant minutes. Any orchestra worth its name will "make an effect" here, and the Philharmonia duly did so. Of much more significance was the performance of Stravinsky's Symphony in Three Movements (which followed), since it is of infinitely higher musical value, and since the Philharmonia's current strengths (unbeatable wind and brass sections, newly

lithe violins) were so fully drawn upon by the conductor. Salonen kept the chording cleanly ventilated, the cross-cut of accents balletically springy; there was no grandi-ose heaviness of texture, and the unfolding drama of this great work (did Stravinsky write a greater?) was propelled forward with excellent correctness of style. Earlier in the concert, he and the players had responded with similar spryness to the "modernist" ingre-dients of Prokofiev's Sinfonia Concertante, Op. 132 - the ticktocking or fast-and-spiky rhythmic patterns, the wry sweet-sour flavours. But the late-Prokofiev mixture also needs a considerable infusion of graceful lyricism, and this evidently counts as Salonen's

Achilles heel. Still, since the cellist was Heinrich Schiff, a "singer" of natural eloquence, the balance of the performance came right after all. Schiff's way with this work proved less assertive less pungently colourful, than that of Rostropovich, its muse and first soloist; the sly wit of his portamentos and understated (yet, for all that, dazzling) command of bravura seemed to me every bit as compelling. A snapped string in the middle movement, with consequent pause and restart, did no real damage.

Max Loppert

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Tuesday October 10 1989

Thatcher's next task

BRITAIN'S Conservative Party is facing a more cloudy political future than at any time since Mrs Thatcher became Prime Minister in May 1979. As the Tories gather in Blackpool for their annual conference the underlying question before them is: "Where do we go from here?" There may be some difficulty finding a coherent answer. The task during the first two Thatcher terms of office was relatively straightforward: to clear up the mess left behind by the outgoing Labour Government. A number of important principles were put into practice with admirable determination. After an awkward start, high double-digit inflation was brought under control Public expenditure was rationalised. The trade unions were tackled head-on. Enterprise was encouraged, and rewarded.

During this period the official Opposition was in perpetual disarray, as the former Liberal Party Joined Labour Party dissidents - the Social Democrats - to fight for the centre ground. It is hardly surprising that in the immediate aftermath of the third successive Tory election victory, in June there seemed little reason to doubt that there would be a fourth triumph four or five years later. That mood of nearinvincibility helps to explain why the Government felt able to plunge immediately into a heavy programme of "Thatcherite" legislation, much of which is now proving unpopular. It was sensible to aim at getting all the controversial measures through during the first two years or so, but what lapse of the centre parties and the concomitant resurgence of the Labour Party.

Economic management

The net result is that twoparty politics is back. The consequence for the Tories is that a fourth election victory will be rather more difficult than seemed likely even six months ago. It is doubly unfortunate for the Blackpool proceedings that Labour's fighting strength has returned just when the Government's management of the economy has come under question. There was no choice about the necessity for raising interest rates last week, but

the absence of choice reflects at least in part, past errors of judgement. The voters may be forgiving if interest rates are brought down again well before the next election, but the adjustment may be longer and more painful than the optimists expect.

Public sector

Another important determinant of the Conservatives future will be the Government's approach to the public sector. In one area, protection of the environment, the Prime Minister has made a good start by appointing Mr Chris Patten Secretary of State. Mr Patten has already shown that he has a feel for the concerns of Conservative voters in the southeast, not least by indicating that he will not approve of the construction of a new town at Foxley Wood in Hampshire. His statements on television go further than that: he is more in tune with green sentiment than any of his colleagues appear to be, although not excessively so by the standards of current public opinion.

A similar change of approach may be harder to accomplish elsewhere. The former Education Secretary, Mr Kenneth Baker, did well to introduce a core curriculum to Britain's schools, but in other areas the development of a satisfactory education system, especially for the non-academic majority, remains to be achieved. It is reasonable to seek administrative reform of the National Health Service, but the introduction of market jargon to a debate about a public service has not been well-received. Most politicians have an instinctive feel for the voting strength of motorists, but many drivers also understand that public transport needs greater investment.

The success of the Tories over the past decade cannot be separated from the personality and style of Mrs Thatcher. She now has to show, not just that she is responding to the chang-ing mood of the electorate, as on the environment, but that her philosophy and reforming zeal are relevant to a set of challenges which are different in character and complexity from those she faced in her

The US fear of foreign capital

expressed by Mr Samuel Skinner. US Transport Secretary, over the plans by leading European airlines to take stakes in their American counterparts once again raise questions about the willingness of the US to remain open to foreign investment. Not only do they come hard on the heels of controversial US Treasury proposals for voluntary registration of foreign investment. Some states have also this year imposed new reporting requirements which will tend to deter foreign investment. All this makes inescapable the conclusion that there is mounting US resistance to such inward

The Bush Administration must resist this pressure which has arisen largely because of a jump in Japanese investment, particularly in US real estate. The US will need foreign investment to finance its current account balance of payments deficit for many years ahead. To create unnece restrictions would not only stifle the flow and complicate economic policy-making. It could also provoke the imposition of reciprocal restrictions elsewhere, thus jeopardising the free flow of capital on which

global prosperity depends. Behind the fuss lies a shift in the US public perception of what constitutes national security. As they have fretted about their country's trade deficit and declining industrial competitiveness, Americans have begun to ascribe an economic dimension to national security. Economic sovereignty is threatened, the argument goes, if control over key industries passes into the hands of foreigners, particularly if they happen to be Japanese.

Small threat

Yet the real threat is small. Foreign groups still own only some 5 per cent of total US sets. Japan with investments of \$53.4bn accounts for only 16 per cent of all direct investment in the US. As a proportion of host country gross domestic product, Japanese investment in the US is little more than a tenth of US investment in the IIK.

So far the Bush Administration has sought to acknowledge this by pursuing a liberal

blocked Fujitsu's attempt to take over Fairchild, the semiconductor maker, a couple of years ago, it has allowed a foreign company, Veba of Gar-many, to acquire a Monsanto company involved in the sensi-

tive electronics sector. Officials have defended their proposed investment registration rules on the ground that they are a formality required under by the Exon-Florio amendment in last year's Trade Act. This authorises the President to block an investment which will "threaten to impair the national security." The rules are, however, deliberately broad in defining industries to which national security concerns might apply. Specifically excluded are only a bandful of minor industries and services. Though nominally voluntary, the rules include a penalty for companies which fail to register acquisitions that are later perceived to impair national security. They can be required to divest at any time in the future.

Tacit acceptance

Taken together with the tougher approach to airline ownership, this suggests that current policy does embody a worrying degree of tacit accep-tance of pressures for applying a broader definition of national security to inward investment. This could open the door to arbitrary restrictions covering anything even indirectly con-nected with defence.

nected with defence.

Such an approach is hardly compatible with an open foreign investment policy whose guiding principle should be non-discrimination against foreigners in setting competition policy or any other form of regulation

It is internationally accepted through the Organisation for Economic Co-operation and Development that national security concerns may legitimately present an exception to this rule, but the OECD leaves it up to its members to define what this means. The US now needs to establish such a defi-nition which would lend transparency to its investment policy. If it is to avoid sliding deeper into protectionism, it would be best to keep the definition as narrow as possible.

Peter Marsh and James Buchan on biotechnology and the market place

fier 10 years of much scientific progress but little in the way of commercial results, blotechnology remains the great white hope of the international pharmaceutical industry.

Biotechnology – which describes a group of blology-based research methods invented in the past 15 years and based on gene manipulation – gives scientists a powerful new armoury against disease. But turning the ideas into new products has been slow.

US companies such as Genentech US companies such as Genentech

and Amgen, set up in the late 1970s and early 1980s expressly to capitalise on biotechnology, have developed a small number of biotech-derived small number of photech-derived drugs, based on copying natural molecules. These drugs reaped sales revenues of no more than about \$1bn (£624m) last year, which is tiny compared with the \$120bn-a-year sales of the world pharmaceuticals industry.

But many in the biotechnology industry are not dismayed. "The world expected too much, too quickly," says Mr Walter Gilbert, a professor at Harvard University who is among the US's foremost biotech-

nology experts. People like Mr Gilbert point out that the new medicines made by rela-tively small, young companies like Genentech and Amgen are just one face to the biotechnology business. The other concerns the deep inroads that the new biology has made in altering research and development strategies in giant drugs companies including Merck of the US, Britain's Glaxo and Ciba-Geigy of Switzerland. The progress in this direction has been the main reason for the bullish forecasts about the the future market

for biotech-based drugs, which some believe may jump to the region of \$10bm a year by the late 1990s. Healthcare-related work in biotechnology has two distinct thrusts. The small biotech companies and the pharmaceuticals majors view these areas with differing degrees of enthu-

The first thrust marked the initial phase of the biotech industry in the early 1980s and has featured mainly the small companies. It concerns scientific efforts to splice genetic fragments into bacteria and cell cultures to modify the way these organisms make proteins - natural biological materials essential to life.

In this fashion, the bacteria can be made to turn out large quantities of useful proteins like synthetic insulin and human-growth hormone which are difficult to make by extraction from humans or animals. These genetically engineered substances feature among the first biotechnology products, another of which is tissue-pla minogen activator (TPA), a copy of another protein. It is used to treat heart-attack victims and is made by Genentech.

The second broad biotech push, more evident in the past three years, may turn out to have more profound implications than the straightforward idea of copying natural molecules. This is where the drugs majors have shown the most interest

The work is aimed at using insights from biotechnology, mainly concerning the mechanisms by which proteins and other natural materials interact in the body, to design new involves tailoring new drugs to work in a specific way, using an amalgam of biotechnology techniques and clas-sical methods of chemical synthesis.

Customised, biotech-based drugs

appeal to the big healthcare groups for several reasons : • Selling copies of proteins present marketing problems. They are large, complex molecules which cannot be taken orally, but have to be injected, which is often messy and inconvenient. Most conventional pharmaceu-ticals companies are mainly inter-

Prospects undimmed by slow progress

treating common ailments like heart disease and arthritis and so want to concentrate on small molecules which

can be taken by mouth.

• Working with small molecules involves disciplines in which the big companies are already expert. They are good at the chemical synthesis which is a vital part of the work. They have also honed the develop-ment skills needed to bring such products to the market. Such companies also have the deep pockets and patience necessary in an industry where a new medicine commonly takes 10 years and \$100m to develop.

• Large proteins are much more difficult than small molecules to patent. That is either because they exist in nature or because rivals can, without too much trouble, invent a derivative which has essentially the same performance but which skirts round the

patent protection.

These factors explain why many large drug companies are spending millions of dollars on biotechnology, largely integrating this with conven-

tional research methods. The work is centred on influencing what happens at specific protein sites called receptors. Biotechnology has given scientists fresh insights into how proteins and other biological

'This isn't Silicon Valley . . . There is not a venture capitalist who has not lost money in biotech'

organisms in the body hind with each other at these sites. With this knowthese areas with they can synthesise new small molecules which have on their surface molecular segments mimicking natural receptors.

The new substances may be able to influence or stop altogether natural processes in the body which are based on receptor binding and take place during the onset of conditions like cancer or heart disease.

The new biotechnology, based on locating a problem in a physiological interaction and designing something shift in the medicines industry towards what is called directed drug discovery. It has found it harder in recent years to come up with new products by the conventional route of randomly testing thousands of artifi-cial chemicals for signs that they check disease, before modifying the most promising substances by synthe-

As a result of the new approach, scientists in many hig drugs groups think they are in a better position to design therapies for a number of ill-

nesses including Alzheimer's diseas AIDS and the common cold.

Merck, the world's biggest drugs company, has in the past unleashed many new products from conven-tional drugs. It is now marketing a genetically engineered vaccine for hepatitis B and has made a groundbreaking contribution to the understanding of the AIDS virus which could lead to new therapies in the

Mr Hugh D'Andrade, an executive vice-president and hiotech champion at Schering-Plough, another big US drugs group, says many of the most promising products passing through the industry's research pipelines are biotech-based. In the 1980s you've got all the new products from biotech, and from traditional pharmaceuticals only a few things like Merck's Mevacor [a highly successful cholesterol treatment]. The balance is probably in biotech's favour. We went in heavily in 1981, but if we hadn't then, we'd have had to in 1988 or 1985. Traditional screening of organic com-pounds will still have a role nature is parsimonious and a lot of the proteins that interact with receptors are found naturally. But we'll be screening them

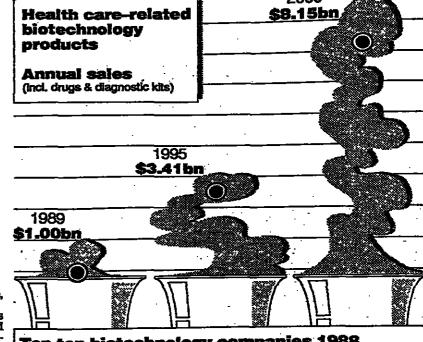
across receptors that have been cloned (duplicated artificially)."

While the emphasis in discussion on biotechnology has swung towards the activities of the large, rich drugs companies, the small groups still make plenty of impact. A case in point is Amgen, which in June received US Government permission to sell a drug called Epogen. This is a copy of erythropoletin, a protein made in the kidneys to stimulate the pro-duction of red blood cells. It will be used to combat anaemia in kidney

The approval, the first in the bio-

tech industry since 1987 when Genen-tech was allowed to start selling TPA, gave the business a psychological boost. But the small companies in the industry still make some onlookers uneasy, partly because of the patent ms – Amgen is facing a patent battle over Epogen with Genetics Institute, another US blotech company - and partly due to cultural questions. Some investors doubt whether the small groups can disci-pline themselves to develop and gain them into conventional drug markets. Mr Robert Kunze, a banker at Hambrecht & Quist in San Francisco and one of the biotech industry's leading venture capitalist, says: "There was this theology among the scientists round here that if you worked as a team and had a company cheer like Genentech, you'd go further than the regular drug companies. They were very naive and so were investors who thought this was another electronics

industry. This isn't Silicon Valley: there are major technical, regulatory,



Top ten biotechnology companies 1988 Total revenue 1,700 **GENENTECH** 1,000 **BIOSYSTEMS** 132 CEÎUS 380 CENTOCOR 430 AMGEN DIAG. PROD. 47. **SHUN** 250 BIOGEN 30 500 GENETICS INST. COTLAGEN GENZYME 250 26

Contrac Committee Resources Corpora

patent and marketing risks. There is not a venture capitalist who has not lost money in biotech."

Against these gripes is the fact that many of the young biotech companies are already trying to turn themselves into mainstream pharmaceutical groups, licensing some of their ideas to bigger companies and also building up their own development expertise to get drugs on to the market using

their own resources.

An example is Genentech, which has its own sales force for TPA and is working on a product which may have a big impact on AIDS. This is a drug called CD4, which acts as an AIDS "decoy." It is based on knowledge of how AIDS viruses bind via protein links to cells. It has in its outer layers precisely the correct protein gateway or "receptor" to attract the viruses; by flooding the body with CD4 they can be decoyed to other sites rather than attack body tissue. Dr Stephen Sherwin of Genentech

just how horrible the outlook would be if we did not understand the molecular biology of retroviruses (the broad category of biological organisms to which the AIDS virus belongs)."

Cetus, another small US company, has developed a technique for amplifying tiny amounts of genetic code and making millions of copies. This "haystack of needles," as the company likes to describe its gene amplification technology, has already made possible a highly accurate test for the AIDS virus and a forensic test that

can identify a killer or rapist from the genetic information in hair or semen. Mr Gerard Fairtlough, chief execu-tive of Celltech, a leading UK biotech company, disagrees with the idea that the big companies are likely to gain the most from the technology. He the most from the technology, he thinks there will be plenty of niche drugs areas, based on proteins and targeted at specialist hospital sectors, which will give biotech groups good revenues. Also he says that proteins centred on natural products may turn out to be more useful than chemically synthesised drogs whose interactions with biological processes are not always well understood. "It takes a lot to beat nature," says Mr Fairtlough. Some observers such as Mr D'Andrade believe that Wall Street is too gloomy about future markets for biotech drugs. Part of the problem was Wall Street's own exaggerated expec-tations for TPA, which caused a big splash when it was launched in 1987. TPA was hardly a disappointment by

Over at Genentech, about whose future financial analysts have expressed some doubt over the past year, there is a confident mood. "If you'd arrived from another planet, and didn't have all these expectations. you'd be amazed by what we have achieved," says Mr Robert Swanson, acheved," says air Robert Swanson, the company's chief executive. "By the turn of the century, I promise you, every new drug will be touched in its development by blotechnology."

top \$200m this year. But Wall Street

was hoping for a \$1bn-a-year drug.

Mitterrand's secret game

■ The gentle art of golf has helped several state leaders to bear the burdens of their responsibilities. President Mitterrand. President of the French Republic, is no exception. Yet his fondness for the sport is beginning to provoke disloyal thoughts among some of his co-citizens, which is remarkable given the French taste for allowing their Presidents a certain leeway in their

personal lives. Word has been going round the country's most exclusive golf clubs, in the outer Parisian suburbs of St-Germain-en Laye, St-Nom-la-Bretèche and La Boulie near Versailles, that the President has been enjoying certain privileges.

Those are the clubs where

Mitterrand likes to play a round of golf every week or so with a friend, usually André Rousselet, chairman of Canal Plus, the French pay television The President likes to yen-

ture out when possible on the days when the clubs are closed for grass cutting and mainte-nance, usually Mondays and Tuesdays, so that he can get a nice clear run. The clubs' presidents have been happy to oblige, even on occasion offering to waive the green fee, or letting Mitterrand go to the front of the queue on

open days. Unfortunately, this does not go down too well with the members, who are not - to put it mildly – the Socialist Party's strongest supporters. They have even taken to locking the doors against the Presi-dent, or so I am assured by distinguished members of two of the clubs in question.

Mitterrand arrived at St-Germain-en-Laye a fortnight ago, as usual in the unmarked car used for these occasions. On finding the doors closed, he was obliged to change into his golfing kit on the back seat. The President's only leisure interest listed in Who's Who

OBSERVER

Reserve asset ■ Strange things bappen when businessmen go on television. Elnion Holland, the chairman of Pearl, put the case the other day against the group being taken over by the Australians, AMP. He did it from his office. In response, he received a letter from Christopher Wes-

ton, chairman and chief executive of Phillips, the fine arts auctioneers. "I realise that you have got plenty on your plate at present," the letter went, but noticed in a television interview that there was an extraordinarily fine looking commode in the office from which you were speaking." Weston went on to offer a

valuation of the commode for insurance purposes, and indeed of any other fine items that the Pearl may have.

Tory audience ■ One of the people who best understands the Tory Party

Conference is Michael Heseltine who, being out of office, no longer makes his speeches from the platform. He can sometimes be found observing the conference from all sorts of obscure positions. "The people out there," he will say, "they're trying to tell us something. The thing is to find out what it is."

And it is quite true that the conference is not as predictable as is often suggested. There was an occasion a few years ago when there was a sudden outbreak of anti-Americanism as a speaker was cheered for referring to "that nauseating Yank, Teddy Kennedy." You can can never quite tell how the floor will react to anything except perhaps to the Leader. Nigel Lawson has never treated the annual outing with



go to fringe meetings."

Heseltine's seriousness. He was surprised once to be given a standing ovation for a rather low key speech when he was Secretary of State for Energy. More recently, he has been cheered as the Chancellor who won the election and for throwing in a few good jokes.

How he will go down when he speaks on Thursday is anyone's guess, for he is likely to be criticised if the pound is falling and equally under

is falling and equally under attack if interest rates have gone up again. There is not a lot new that he can say. The eyes should be on the audience rather than the speaker.

Price of music

■ Claudio Abbado was a surprise choice for Berlin. Most observers thought that he was content to remain in Vienna where his contract gave him a guaranteed number of new opera productions as well as concerts with the Vienna Phil-

It was also thought that his

rather listless rehearsing style was out of keeping with the North German mentality that still pervades the Berlin Philharmonic. Abbado's strengths are during the concerts, not

He was the compromise candidate. He is less autocratic than Riccardo Muti and can speak German. He is easier to work with than the American, Lorin Maazel, and unlike the other American contender. lames Levine, Abbado is equally at home with sympho nies and opera.

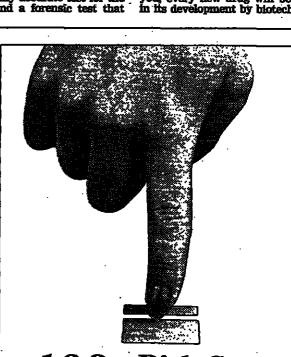
The contract, however, is not quite complete. Berlin always had Herbert von Karajan on the cheap. He conducted his agreed minimum number certs each season, but made the bulk of his money from recording and video work, and from moving around the world. No successor will be allowed the same privileges
Abbado is likely to have to

spend at least 12 weeks a year with the orchestra, and his initial contract will be probably for five years. For that, he will expect to be highly paid, in view of the other work he will be giving up.

There may be a question of politics here. Will the Social Democratic-Green coalition in Berlin agree to to pay up? Walter Momper, the Social Democrat Governing Mayor, is a regular concert-goer and there is much to be said for the Berlin Philharmonic as a kind of cultural flagship for the city. Still, the Greens may be less happy to pay interna-tional rates. The ultimate pay-master of the orchestra is the Berlin Senate.

Rare trip

■ The Nottinghamshire Chamber of Commerce and Industry is mounting another trade mis-sion to Iraq. its application form states: "As you will probably know, participation in a Mission offers one of the few ways to enter Iraq and usually provides exemption from the compulsory AIDS test."



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Mountain

LETTERS

Clarity in foreign acquisitions rules in US

From Messrs Joel F. Brenner either in a defence company or and Irving M. Pollack. Sir, Frank Cooper ("When foreign owners surrender con-trol," FT, September 27) deftly summarises the salient points of the rules governing foreign ownership, control and influence ("FOCI") in the US defence industry. However, he leaves the misleading impression that the US has adopted an irrational regulatory scheme. Mr Cooper is night to say that the FOCI rules do not give "the management of a British investing company anygent controls imposed by the US government will then apply thing like the degree of control influence or information that would apply to a subsidiary in only to the subsidiary, not the parent. If, indeed, the acquisi-tion is not motivated by the Britain or in many other countries." Who would expect it to be otherwise? The takeover of existence of the defence work, the foreign investor is unlikely to be seriously inconvenienced a defence company by a foreign investor presents genuine security concerns. It is difficult to imagine that the British government would not agree. Most foreign acquisitions on which the new rules will be invoked will not involve the

Advertising's effect on drinking

From Mr P. Mitchell Sir, Christopher Parkes's review of new research on drinks consumption and adver-tising ("The influence of afflu-ence," October 5) is most useful in revealing new thinking on a much debated topic. But it failed to highlight that the two research studies examined are as comparable as chalk and cheese in their statistical and scientific reliability.

takeover of true defence sub-

sidiaries and will fall instead

into one of two categories. The first is a minority interest

Mr Duffy's major study, showing no material relation-ship between total drinks consumption and advertising levels, strongly confirms previous evidence from various countries and sources. It is a largescale analysis, using many data established over a long -20-year - time scale. Contrast this for scientific

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soundness with Dr Aitken's small study which suggests a possible advertising influence

Working week

From Colonel H.A.J. Jordan. Sir, There is more than a little irony in the figure of 24,000 threatened job losses which Mr Gavin Laird quotes in the con-text of Ferranti; and his accusation of media double stan-

at this moment targeting seven key engineering sites for ballots for strikes in support of a 35-hour week — the shortest in the industrialised world. It is a sombre coincidence that these sites employ 24,000 people who are being asked by their unions to be shock troops. If they strike, they will place their own and many other jobs Independent studies indicate

that 66,000 jobs in engineering, and 350,000 jobs throughout the entire economy would go by 1993 as a result of a 35-hour week alone. They also show that engineering production would fall by over 2.5 per cent; that there would be a similar fall in exports; that retail prices would be pushed up by 3 per cent over three years and that investment would suffer. Mr Laird's pursuit of this

irresponsible course could well be described as "stealing his members jobs." It is his good fortune that so far the so-called double standards of the media
have not exposed the union's
staggering irresponsibility.
H.A.J. Jordan,
Scottish Engineering

ess is once again putting the
industry in jeopardy.

The varying discounts on
manufacturers' prices now
being demanded, and potential

Employers' Association, 105 West George Street, Glasgow

in a company with only a marginal interest in defence work. These cases are unlikely to disturb the regulators, and any actions of the regulators are unlikely to disturb the investor, who will not expect the usual subsidiary relationship. Second, the foreign investor may seek a controlling interest in a company with significant but incidental defence contracts. In these cases, the defence contracts can be spun off into a subsidiary. Any strin-

by this arrangement.
Incidental defence involvement by large US companies is now common, however, and this presents a pitfall for unwary investors. The danger is that acquisitions can be seri-ously delayed through failure to anticipate the new rules and through unfamiliarity with the regulatory regime. To date,

on under-age drinking. It uses a very limited, one-time sample of 150 youngsters from one Scottish city. Hardly a representative or in-depth analysis. No one would question that better, research-based under-standing of young people's behaviour, whether in regard to drinking or other activities, is desirable. But we should beware of doubtful conclusions drawn from narrow, smallscale research such as Mr Aitken's which can arrive at questionable results. A breadth and depth of investigation is needed to arrive at sound judgments - like that supporting Mr Duffy's re-confirmation that advertising appears not to be a significant factor in overall

Strategic Affairs Director, 39 Portman Square, W1

drinks consumption.

P. Mitchell,

Current account deficits

Sir, is not Professor Thirl-wall (Letters, October 4) allow-ing himself to be sidetracked on the issue of current account deficits? In a world of highly integrated capital market findends is ridiculous ("Workers ameing, such deficits are not control" of top companies likely to be a problem for rejected," October 3).

His own union, the AEU, is within their solvency con-

are not the issue. They reflect savings-investment imbalances depend on past or present poli-cies. These policies may be overdue for critical appraisal, as, for example, is the present Government's excessive reli-

Leather goods in the UK

From Mr J.T. Hemwood, Sir. Having survived an import penetration level of over 80 per cent in the supply of small leather goods, hand-bags and belts, the British leather goods manufacturing industry should now be looking forward to a period of consolidation in which oppor-tunities can be created for increasing market share in the UK. However, growing pressure by the multiple retail buyers to force UK manufacturers' prices down to unrealistic lev-

The varying discounts on manufacturers' prices now being demanded, and potential new ones, could result in a new decline in the size and success of domestic suppliers.

however, even substantial national security concerns have been dealt with flexibly by the regulators in ways that satisfy overseas management.

A deeper concern about the
FOCI rules is that they apply
not only to defence industries but literally to any acquisition that may be deemed, on any grounds, to affect national security. For example, the acquisition of a communications firm has propaganda

potential. Is it covered?

An expansive interpretation would be a sorry development. The fact that the rules are now administered with perspective and intelligence is inadequate comfort. The rules are subject to xenophobic abuse, and the lack of standards governing their scope is unsatisfactory. Narrower guidelines would alleviate these concerns and provide a brighter line to parties interested in pursuing acquisitions involving possible national security concerns and possible divestiture.

In addition, a procedure for seeking interpretive advice would greatly enhance compli-ance with the national security

Planning

From Mr Dennis J. Fowle. Sir, Christopher Patten's pro-posed changes in the planning guldelines should be welcomed by all (save the developers) who live in the over-crowded south east. He talks of leaving as many decisions as pos to local councils, which is avite right. Justice requires that more

than one person (a ministry inspector) determine appeals. Perhaps we should appoint local planning commissioners to decide all appeals unless they are of national significance, when a ministry inspector could take the chair. One person should not be able to over-ride a decision taken by an elected local authority. Dennis J Fowle. Dalbury,

Lower Road East Farleigh,

From Professor M. Artis.

Accordingly, deficits as such which, among other things,

ance on the interest rate to control inflation. But the balance of payments implications of this policy are not among its more important weaknesse

There is an important excep-tion to this point: if enough people erroneously act as. though the current account deficit as such does matter, and most especially if the government does, then the market will follow suit and the basic error will never be discovered. It is important to be aware of this possibility, but it is not one to be pandered to. Professor M. Artis, 76 Bexton Road, Knutsford,

These unjust trading practices include the application of discounts ranging between 5 and 10 per cent for cash, distri-bution or non-returnable faults; arbitrary fines for correcting minor errors based on labour rates of £10 per hour or more and calls for price reductions in mid-contract. There are also requests for delayed deliveries and part cancellation of orders if the retail trade is

not buoyant.
Our members are calling for a new climate of fair play from the retail sector before the whole industry is permanently affected.

J.T. Henwood,

British Leathergoods Manufacturers' Association, 27 Frederick Street,

The pensions debate: when to retire and how much it will cost

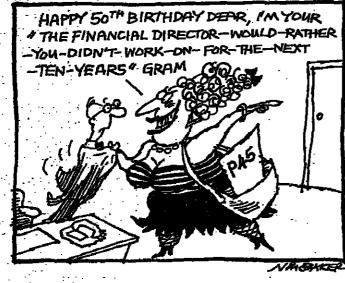
Sir, Your leading article ("A sexist policy on pensions," October 2) while referring to the "social reality of de facto earlier retirement ages," makes only oblique reference to the research for this under the reasons for this under the description "corporate redundancy schemes. The unpleasant truth is that the nature of "final" pay pen-

sions encourages companies to lay off staff early, because the last decade of a 40-year carear doubles the cost of such pen-sions. Few finance directors believe that a 100 per cent increase in expenses is good value for a 33% per cent increase in years of service. No wonder 47 per cent of males between 60 and 65 are not in Alan Smallbone,

Lloyd's, One Lime Street, EC3

From Mr David Lindsay. Sir, Congratulations on your

forthright leader and to the Equal Opportunities Commission for its bold challenge to the Government on discrimination in National Insurance contributions, albeit after a little friendly prodding by the Campaign for Equal State Pension Ages (CRSPA).
You rightly ask whether pen-sion ages should be levelled



question was effectively answered earlier this year when it was enacted that the state pension would no longer be a "retirement" one, but become an "age" one, divorced from retirement? The only future link, therefore, between pension age and retirement (full or partial) should be to set the age no higher than that at which a significant number of contributors are either retired

down or up, but surely this by their employers or feel com-question was effectively pelled to retire as a consequence of personal circumstances. That clearly points to 60, subject, perhaps, to a qualifying years condition - 44, for instance - to begin with.

You have started an important discussion. It should not be allowed to lapse until the issue is resolved. David Lindsay, Chairman,

programme and avoid costly unsuccessful acquisition attempts. These improvements would be particularly welcome since some US firms can be expected to acquire a defence subsidiary for the sole purpose of making a foreign take over more difficult.

he Commonwealth, that

British colonial past and lan-guage, will be gathering for the biennial joust between its leaders in Kuala Lumpur next week, wondering, as usual, where it is going. The Heads of

Government will be celebrat-ing the 40th birthday of the founding of the modern Com-monwealth, traditionally a

good time for reappraisals. They will have to face the fact

that the absence of any real concept of the Common-wealth's role in the world has

begun to threaten its very sur-

vival in any meaningful form.

its members really want the organisation to survive, which has not always been obvious.

Mrs Margaret Thatcher who, in

recent years, has become the

whipping girl of the "new" Commonwealth - those Afri-

can, Asian and Caribbean

countries who attained their

independence after the Second World War - clearly has rea-sons for doubting that British

interests continue to be served

by the organisation. But it is

one thing to be dissatisfied

with an institution as firmly rooted in British history as the

Commonwealth; it is quite

another to provoke its demise.
"The Commonwealth is

beginning to acquire almost the status of a Grade One listed building," Professor Den-nis Austin wrote in a Chatham

House paper last year. "Its demolition may not be allowed,

although whether, like other

historic structures, it will come

to house more than the relics

of its past, is another matter.

Today's relics, of course,

were yesterday's useful pieces of furniture. Forty years ago,

Britain may have been exhausted by its wartime efforts, but it was still one of

the great powers and, with the

exception of the self-governing Old Dominions and India,

which achieved independence

in 1947, its Empire was still largely intact. Quite apart from

the strong trading links which

had been forged by the system of imperial, and later Common-

wealth preferences, the tradi-

tional bonds between Britain and its senior offspring such as

Canada, Australia and New Zealand had, if anything, been

tightened by their comradeship

decolonisation which saw one

after the other of Britain's col-

onies accede to independence

Britain therefore viewed the

Commonwealth as a kind of

extension in another form of the Empire, with the Crown acting as its cement. Not only would Britain be able to safe-

At the start of the period of

in arms during the war.

That statement assumes that

quarrelsome hotchpotch of nearly 50 states, linked mainly by a common

There is no realistic possibil-ity that the US Government will back away from rules of this kind. Nor should it. As administered, these rules are far less trouble than Mr Cooper makes them out to be. We have seen no reason why a foreign investor should be deterred from proceeding with an acqui-sition that does not, in fact, endanger US security interests.

Security concerns must not lead to broad economic regula-tion on nationalist grounds, however. Such a development would be contrary to the broader trade interests of the US and its allies. Official clarity on this point is much to be Joel F Brenner, Irving M Pollack, Storch & Brenner,

1001 Connecticut Avenue NW, Washington DC

Interest rates and sovereignty

From Mr Stanley Crossick.
Sir, The UK Government argues that participation in monetary union as proposed by the EC is a derogation of sover-eignty. On October 5, the German Bundesbank increased its interest rate by 1 per cent. Within one minute, the UK fol-lowed suit as did five other member countries, including France.

This does not suggest that the UK has much independence and, therefore, any real sovereignty in monetary matters from which to derogate. If there were a monetary union which included the UK, at least the UK would have been con-

Stanley Crossick, av. de Tervuren 2 b 3,

Shoes in East Germany From Mr J.C. Foster.

Sir, David Goodhart's article "A step ahead of other manufacturers" (FT Survey, October 3) refers to the agreement I signed at the Leipzig fair in my capacity as managing director of United Machinery Group Ltd (UMG). He has sketched the background to the agreement in vivid and substantially accurate terms, but I would like to correct the statement that "the main point of the deal from (our) point of view is becoming favoured machinery supplier to the Kombinat."

UMG and its subsidiaries -British United Shoe Machinery in Leicester, and Deutsche Ver-einigte Schuhmaschinen GmbH in Frankfurt – were, we believe, already highly favoured suppliers of machin-ery to the Kombinat Schube well before this agreement was signed. While one of our impor-tant objectives is, of course, to to maintain that position by every legitimate means, the aims of the agreement were much more extensive and go far beyond anything that we could hope to achieve through

a simple supplier relationship. The agreement, for example, envisages joint machinery development projects, joint machinery manufacturing pro-grammes and the sale by UMG of East German-manufactured achines in world markets. J.C. Foster, United Machinery Group Ltd.,

Ross Walk, Belgrave, Leicester

36 Orchard Coombe, Whitchwach Hill, Reading,

From Mr Stephen Wynn.
Sir, Your leader concludes
"the male of the species
deserves a better deal." The
probability of a woman drawing income support after retire ment is about 50 per cent more than that of a man of the same age - rather more at the higher ages and less at the lower ages. Females, therefore deserve a better deal. The achievement of equality between the sexes in the area of pensions is not possible, particularly because bringing up children does not have its occupational pension scheme.

More flexibility in state and

occupational pension schemes is, however, desirable. The US has the Age Discrimination in Employment Act and supporting state regulations which prohibit mandatory retirement on grounds of age, with some exceptions, airline pilots being one example. Mandatory retirement ages should also be pro-hibited in this country.

Stephen Wynn, 8 Clarence Gardens,

FOREIGN AFFAIRS

Time to dust off the relics

Robert Mauthner argues for an urgent reappraisal of the Commonwealth

guard its trading links and continue to exercise considerable influence on its former dominions and colonies, but its status in the world at large would be enhanced by its leadership of such a large and diverse group of nations. It was not just a one-way street, how-ever. The newly independent nations, more insecure than their leaders would have the world believe, were quite happy to shelter under the umbrella of what was still seen as a group with a powerful voice in world affairs.

That rosy picture soon changed for two main reasons. In 1961 - only 12 years after the London Declaration which created the modern CommonSomething was saved from the wreckage, it is true; association arrangements for some of the Caribbean and African states and territories, steadily declining lamb and dairy import quotas for New Zealand, duty free entry into the Community of Indian tea and jute mats. But Britain's move had created a psychological shock and underlined the painful reality that national interest would always take priority over the general good of the However, Britain was not

the only one responsible for the transformation of the Commonwealth into a very different animal from that conceived in 1949. It was understandable

'The Commonwealth begins to acquire almost the status of a Grade One listed building'

Though, thanks to the late President de Gaulle of France, it took another decade before Britain could force the door of the EC, the writing was on the wall. Theoretically, Britain's foreign policy was still based on the three interlocking cir-cles of the Commonwealth, the US and Europe. It soon became clear during its EC entry nego-tiations, however, that Britain's traditional patterns of trade based on cheap food imports from the Commonwealth would change radically as the result of acceptance of the EC's membership terms. And, admit it or not, membership of the European Commu-nity had far-reaching political implications which excluded Commonwealth countries.

wealth - Britain was already that the newly emancipated making formal moves to join the European Community. that the newly emancipated African, Asian and Caribbean countries should continue to be greatly concerned with racial equality after their own decolonisation. It was also natural that they, together with other Commonwealth mem-bers, should do their utmost to try to change the apartheid policies of South Africa and to bring about majority rule in Zimbabwe, a goal finally achieved in 1980. In the process, however, the Common-wealth has become virtually a one-issue pressure group, preoccupied almost to the exclusion of anything else with fighting racial discrimination. There is no subject more important, Shridath (Sonny) Ramphal, the Commonwealth Secretary General, proclaims. Maybe, but there are certainly

numerous issues which are at

least equally important - the threat to the environment, famine and drought in Africa and Asia, the growing world refugee problem, human rights and political freedom - which have been neglected by the Commonwealth while Britain and the other members equals. and the other members squabbled over South African.

That subject has dominated two full summits in Nassau and Vancouver and one minisummit in London over the last four years without budg-ing Mrs Thatcher from her position that official sanctions would not be effective in changing the political situation in South Africa and would harm the black population . The rights and wrongs of that view have been the subject of endless public debate. But a stalemate over means should not be allowed to obscure the broad agreement on at least short-term ends, and should certainly not be permitted to bring the proceedings of the Commonwealth virtually to a halt for several years. There is sufficient common ground between the two positions - the need to exert political pressure to end apartheid, the release from prison of black nationalist leaders, the opening of negotiations between the Pretoria government and the black community - to enable the Commonwealth to adopt a more constructive joint posi-

It would also help the Commonwealth's credibility if it matched its concern about South Africa by paying similar attention to the democratic and human rights shortcomings within some of its own ranks, where single party states and restrictions on the freedom of spech and the media abound. The rule that the internal affairs of member states cannot be discussed even in the case of flagrant transgressions of the Declara-tion of Principles adopted by the Commonwealth Summit in Singapore in 1971, clearly weakens any positions the organisation takes on situations in other states. The Commonwealth will

never be an effective vehicle for common action at the best of times. The diversity of the member states' size, economic strength and regional interests is too great for that. But if it can overcome its obsessions, its very diversity, spanning the industrial and developing world, could still provide a more useful forum than some much larger and more amorphous international bodies for discussing the problems facing the modern world. Even a listed building full of relics can be refurbished and become habitable again.

Twenty-five years ago...

Mods and rockers fought on the beach at Clacton...

John Steed and Mrs. Peel joined forces against evil as 'The Avengers'...

West Ham froze out **Preston North End to** take the FA Cup...

Treasury officials defended the pound by borrowing £1,080 million...

...and Britain announced the first licence awards for North Sea oil and gas.

Times change. Occasionally for the better.

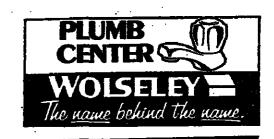
Today, the pound is holding its own. And the offshore energy industry has grown to encompass a workforce of nearly 100,000. Backing them up will be an investment over the next four years of some £27 billion to ensure that Britain's North Sea prosperity can be counted upon well into the next century.





FINANCIAL TIMES

Tuesday October 10 1989



REFORMERS TAKE OVER PARTY PRAESIDIUM

ungarian Socialists embrace democracy

THE HUNGARIAN Socialist Party last night completed its formal transformation from a Communist party into a western-style socialist party com-mitted to pluralism.

The new party voted for an old reformer as its president and a party praesidium with a solid reformist majority. Mr Rezso Nyers, dropped from the Communist leadership in the early 1970s when he

failed to convince his fellows of the need for relative economic liberalisation, won an almost unanimous vote from the Congress as party leader. He had played the crucial role in build-ing fragile bridges between the moderate and radical reformers over this weekend, and in securing the transfer of 80 per cent of the Congress delegates to the new party.

Earlier in the day, the Congress had voted for an economic programme which commits the party to a social market policy — a welfare state coexisting with a competitive market extense.

itive market economy.

The critical question which remains, however, is how far the compromises reached to achieve a new party — with only a small split of hard liners on the left — will damage the new party's standing when it faces free elections in March.

The proceedings of yester-day's Congress, much of it held in closed session, were again marked by passionate arguments between people on the reform side over how far to dissociate the party from its past. In the course of the closed session, Mr Nyers and Mr Miklos Nemeth, the prime minister

and a radical among the reformers, crossed swords on whether or not some link between the party and the state be preserved. Mr Nyers proposed a party watchdog function on ministers, but Mr Nemeth's opposition to this

Mr Imre Pozsgay, the leading reformer, and the HSP's candi-date for president in elections to be held next month, accepted in the course of the weekend-long haggling and cancussing that it would be in his presidential interests to retain as large a party base as possible. However, he will play no leading part in the HSP— though he is on the Praesidium and may be expected to proj-

ect himself as a national fig-The considerable achievements of this Congress thus include the creation of a new party pledged to pluralism, constitutional rule and a mar ket system; the agreement to this of the bulk of the delegates; and the likelihood that the present government will retain its mandate from an HSP-dominated parliament, thus avoiding a government crisis and instability in the hiaitus between now and the election.

Against these must be set the palpable scepticism of Hun-garians that the new party is other than the old with a lick of paint - an impression deepened by the compromises the reformists have made for the sake of unity. Further, the HSP, which has yet to disband the armed workers' militia

which was associated with the

Communists, must give an account of the corruption alleged to be endemic in its property and other holdings and must decide whether or not it will retain its branches in enterprises. A vote to scrap these was defeated late on Sun-day night as delegates realised this would leave them with precious little organisation — but the issue is likely to be

opened again.

The opposition parties are already preparing campaigns based on the theme that the HSP is still "red." Mr Tamas Miklos Gaspar, a leading member of the Free Democrats, said last night that "there was last night that "there was never a possibility that the Communists could leave their past behind, nor will they be able to tear themselves away from the state."

Rover plans

By John Griffiths in London

ROVER GROUP, the British

motor manufacturer, is developing a high-performance, lux-ury coupé aimed primatily at North American markets.

The new car, to be launched in 1992, is being designed inde-pendently of Honda – the

Japanese car company which is soon to take a 20 per cent stake in Rover — is aimed at taking Rover deeper into the

prestige car market currently dominated by specialist manu-facturers such as BMW of West

The 9,000 workers at Rover's Cowley complex in Oxford-

shire, central England, have

been told at an internal brief-ing that the new car will underwrite further the

long-term future of Cowley's

North Works. No code name for the car has yet been revealed.

The North Works is the pro-

been producing 75,000 Monte-

gos and 50,000 Maestros a year

Concern among the work

force that Rover Group might

be considering ending all car

assembly at Cowley, and con-

centrating production at its

Longbridge plant near Bir-mingham, has already

prompted Rover's management

to give assurances that the suc-

cessors to the 800/Sterling will

also be built at Cowley. The workforce has also been

told that natural wastage and

planned production expansion

at Cowley will almost certainly

sory redundancies when the

South Works closes. Rover had

said earlier that 2,400 jobs

The new coupé will allow

Rover to make a triple-pronged attack on executive and luxury

sectors, in conjunction with R18 and R17m, the code names for the saloon and fastback versions respectively of the

cars to succeed the 800/Sterling

in the early to mid-1990s.

Their development will be

aided by Honda through its

links with the Rover Group. However, unlike the jointly-de-

veloped Rover 800/Honda Leg-

end models, the design will

declined to give any details of the new coupé other than to

confirm that concept approval

had been given for the car, that it would occupy a separate market niche from any other

model in the Rover range; and

that Mr Graham Morris, presi-

pany, Sterling Motor Cars. has

given Rover's North American

dealers an outline of the proj-

The car would be launched

initially in North America, "but there will be opportuni-ties for other markets to be explored," said Rover.

dent of Rover's US sale

Group yesterday

also be Rover's own,

would be lost.

mean there will be no compo

in the early 1990s.

luxury car

for US

markets

Sterling drops its pilot The markets may now be quite **Government Bonds** nuclear on the Government Long bond yields

policy on sterling, but they are in no doubt that it has dramatically changed. What now seems at risk is Mr Lawson's fundamental position that employers paying inflationary wage increases cannot expect to be bailed out through the exchange rate. The other risk, exchange rate. The other risk, of course, is that the foreign exchanges do not play ball by halting sterling's slide at DM2.90, say, but push on towards DM2.75 and beyond. towards DM2.75 and beyond.
Mr Lawson's gamble would
then presumably result in 16
per cent or even 17 per cent
base rates by Christmas.
In a sense, it is not quite
clear why the equity market
should have taken yesterday's
events so badly. The money
markets are rock steady at 15
per cent. If equities shared the
implicit assumption that hase

implicit assumption that hase rates have peaked, they should be looking to the benign effect of devaluation on earnings. They might also reflect that monetary policy may now be tight enough to allow for a lit-tle relaxation on the exchange

But it will doubtless not work that way, for understandable reasons. Much of the rumour about policy divisions mischievous, but there is no escaping the sense of a slipping of control. As yesterday's fall of more than a point in gilts showed, foreign investors are alert for any whiff of inflation and political unease. The electorate may be tiring of tough economic measures; the markets are certainly not ready for

Jaguar The drop in Jaguar's share rice on news of General Motors' intentions is wholly understandable, but in the longer term could prove misplaced. With so much Jaguar stock held by littgious US arbs, GM cannot afford to give the impression of attenting a impression of attempting a duction centre for Rover's 800/
Sterling range of executive cars, which are being built at the rate of 60,000 units a year.

Rover has already announced plans to close Cowley South Works — which has the shareholder's friend, willing to bid but thwarted by the golden share.

The GM proposals will therefore be put to Jaguar shareholders, who will doubtless be alert for any penal clauses protecting the new contractual

arrangements. GM will also be

limited to the same 15 per cent

ceiling as Ford. Given that any

new issue above 5 per cent is subject to pre-emption under

1969 Jaguar's articles, it might be less trouble to buy through the market. And above all, if GM is marker, and above all, it can is not in a position to protect its commercial arrangements through poison pills, its only long-term safeguard against guerrilla action from Ford is to own Jaguar outright. An auction still looks on the cards, even if it takes until the start

UK

THE LEX COLUMN

Mortgage rates

In a rather perverse way, the one percentage point rise in the Halifax's mortgage rate is good news for borrowers. It shows that the world's biggest mortgage lender is continuing to subsidise borrowers at the to subsidise borrowers at the expense of its investors, while the speed with which it has set its new rate means that most other societies will follow its lead. Abbey National, which has its shareholders to think about these days, may have to go for a higher rate. So may the banks, if only to demonstrate once and for all that strate once and for all that there is no longer any political pressure on mortgage rates.
Of course, yesterday's move can easily be explained away as just another sign of the

as just another sign of the flerce battle for market share now being waged in a rapidly shrinking mortgage market. With money market rates at 15 per cent the centralised lenders and the banks are facing serious margin pressures on their mortgage books. A more sinis-ter interpretation of the reluctance to push mortgage rates above 15 per cent is that there is a growing fear that any extra benefit will be more than offset by the damage done to the the value of the security underpinning many of these

Eurotunnel It is to Eurotunnel's credit

that it did not fall prey to the

temptation of vastly bumping up its revenue forecasts yester-day, despite the depressing news last week about the cost over-runs. There is so much that is incalculable about future transport levels – the response of the ferry operators and the airlines, the prospects for the high-speed rail link, the extent to which, like the M25, the tunnel creates its own demand - that forecasts for the year 2013 are virtually science fiction. What is becoming more certain is that the tunnel will eventually be built somewhere near the forecast date, an achievement which pays tribute to a heavily criticised

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gelande.

That said there are still plenty of questions about the profitability of the project. Div-idends are unlikely to be paid idends are unlikely to be paid until 1997 and until one sees the shape of the £1.5bn or so refinancing package, any calculation about the present value of the shares is more than usually guesswork. The price has taken a battering and could easily full further in and could easily fall further in the next year. There is little prospect of recovery until a deal is struck with the contractors and even then, there will be the prospect of a rights issue to depress investors.

Saatchi & Saatchi

Given the number of fires in which Mr Silvio Berlinsconi has irons, it is tempting to play down his appearance as a shareholder in Saatchi, Shortly before he spent around £5m on Saatchi shares, he had put three times that into acquiring 2 per cent of Bouygues, the French construction and television conglomerate; it may just be Anglo-Saxon chauvinism that finds the Szatchi purchase more interesting. Nor is Mr Berlusconi infallible at spotting undervalued assets. This is the man who paid Lit37,000 per share in mid-1988 for 70 per cent of the Standa store chain; the shares closed in Milan last night at LR31,150. That said, it is easy to see

why the market scents blood with yesterday's 10.5p rise in the Saatchi share price to 350.5p, on top of Friday's 40p gain. If it makes less than, say, £225m from the sale of its consulting businesses, and delivers full-year profits much below market expectations of around £70m-£75m, its ability to fight off a bidder will be questionable; if the stock market can work that out, so can the potential predators.

EC takes step nearer pact on excise taxes

By David Buchan in Luxembourg

FINANCE MINISTERS of the 12 European Community states yesterday agreed on a means of indirect tax collection to allow the abolition of fiscal frontier checks inside the Community from the start of 1993.

Mr Pierre Bérégovoy, the French Finance Minister, who was in the chair for yesterday's meeting, said the agreement represented "a decisive step" towards ending two years of wrangling over collection – al-though not rates – of value added and excise taxes. The battle over the Community's widely differing indirect tax rates remained unresolved yes-

In reaching agreement to maintain the principle that tax should continue to be levied post-1992 - in countries where goods and services are consumed, ministers brushed aside European Commission objections that the governments were letting themselves, their companies and citizens in

Brussels argues that the governments are simply replacing a single set of controls (at fron-tiers) with two sets of controls (in exporting and importing countries) which would have to be elaborately cross-checked to prevent fraud.

prevent fraud.

The Commission's proposed alternative was to collect VAT on intra-EC trade just as is done currently within a single country, at each stage of production and sale. Ministers' root objection to this was that it required a complex system to reapportion VAT receipts among the Twelve.

among the Twelve.
"I prefer a good compromise to total disagreement," said Mr Bérégovoy, noting that EC tax changes require approval by all 12 states. He held out a small olive branch to the Commission, saying the govern-ments' preferred scheme would run for "a limited period," after which the Community could, theoretically, adopt the Commission plan. But he would not even guess at the length of

Mr Peter Lilley, economic secretary to the UK Treasury, said countries had preferred "not to commit themselves to uproot" a new system designed to take effect by January 1

Commenting on yesterday's agreement, which would continue the practice of zero-rating exports and reimposing VAT on imports, Mr Lilley said "we can't faff around for ever." But the UK again dug in its toes yesterday over indirect tax rates, refusing a Danish and Irish demand that progress in bringing these rates together must accompany the phasing out of traveller's allowances on tax-paid goods, as proposed by Brussels, by

The UK was the sole dissenter from a statement link-ing tax rate harmonisation with phasing out of allowances for travellers across internal EC borders. The promise of special arrangements was held out to Denmark and Ireland

loss of trade to neighbouring countries with lower VAT Ministers, however, appeared

near agreement on a package of measures designed to min-imise the risk that tax-shy citi-zens will abuse next year's generalised lifting of EC exchange controls by shifting money around the Community.

The proposed measures, which have yet to be finalised by the Commission, would replace the Commission's ill-fated plan for a standard withholding tax on deposit and bond income held by banks on behalf of non-residents.

behalf of non-residents.

Virtually all governments, apart from a non-committal Luxembourg jealously guarding its bank secrecy, yesterday displayed support for a variety of administrative measures to crack down on fraud. Such measures would include extending the scope of a 1977 directive on mutual assistance. directive on mutual assistance between fiscal authorities to cover inheritance and gift

European accounting standards proposed

THE IDEA of establishing a setting accounting standards has been suggested by the UK's three main accounting

The draft proposals have stirred a row between the "Big Eight" accountancy firms and the professional bodies.

The proposals were put together by the Institute of Chartered Accountants in England and Wales and its equivalent bodies in Scotland and Ireland, and circulated on a confidential basis to the nior partners in the big firms last month

The original document provoked such criticism that it is already being redrafted. In sugsting the UK should take the lead in forming a European standards body, it angered the big firms on both domestic and international fronts. The firms are worried that the proposals undermine the had the full support of the big Committee. UK's move towards a new stan-firms.

dards regime as recommended by the Dearing committee last year - which envisages the setting up of four new accountancy bodies in the UK - and that they fly in the face of the profession's official stance on the harmonisation of international accounting standards. The big firms say the propos-als' wording contained pejora-

tive references to the Dearing regime, which is described as "controversial," as well as 'complex" and "expensive." Several of the big firms, including Price Waterhouse, Deloitte Haskins & Sells and Touche Ross, have written to the professional bodies expressing their indignation at this description of the Dearing

The Dearing plan, which envisaged a toughening of the UK standards-setting process,

cial line is that it favours harmonisation of standards on a global but not a regional basis. Some accountants say the proposals on Europe-wide standards have to be seen in the context of the European Commission's conference on the future of European standards

scheduled for January next Many accountants feel that the Commission will use the conference as the platform to introduce its own set of Europe-wide standards in the run up to 1992. The worry for UK accountants is that the standards will

be too detailed and legalistic in flavour, rather than flexible in line with UK standards or those promoted by the International Accounting Standards

The pan-European body From the international per- envisaged in the document would seek to international standards, with monitoring and enforcement left to the national bodies. The ICAEW said yesterday the ideas floated in last

month's document did not have the status of policy and that it was still firmly commit-ted to the Dearing plan. The Trade and Industry Department said it had received a letter from the

ICAEW to this effect. It added that it was still looking for a so-called "facilitator" - a businessman whose job it would be to implement the Dearing plan.

Industry speculation suggests the search for such a person has been held up by the lack of agreement on how the Dearing regime will be paid

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REGULATED IN THE CONDUCT OF INVESTMENT BUSINESS BY SIB

proposes merger controls compromise

By Guy de Jonquieres in London and Lucy Kellaway in Brussels

BRITAIN IS to propose a "two-tier" system of European Community merger control in an effort to avert stalemate over the European Commission's long-standing demand for power to vet large deals in

The proposal is intended to bridge differences between EC members over the size of mergers which should be policed by Brussels. It will be tabled at an EC council meeting in Luxemwood UK Minister for Corporate Affairs.

Britain, France and West Germany want the Commission to have jurisdiction only over mergers which would create a group with worldwide turnover of more than Ecu5hn (\$5.5hn). But Italy, the Nether-lands and several smaller countries want the threshold

set at Ecu2hn. The proposed British com-romise would entitle individual countries to choose which threshold should apply to mergers and takeovers involving companies headquartered on their territory.

Countries opting for the lower threshold would cede to Brussels all jurisdiction over mergers of Ecu2bn-Ecu5bn, while high-threshold countries would retain the right to apply national controls to deals in this category.

Under the British scheme, a deal involving companies from both high and low-threshold countries could be blocked by national authorities in the former, even if it had been approved by Brussels. However, the EC could also

block a proposed merger which had been passed by national authorities in a high-threshold country. Acquisitions and mergers involving companies from non-EC countries would remain subject to national con-

The British Government nity gross national product, and to make a planned four-tended for the compromise on a two-tier sysbelieves that divisions between the Twelve are so deep that compromise on a two-tier system offers the only hope of achieving the required unanimous agreement on EC merger control policy.

Although the UK has dis-cussed only the outlines of its proposal with its EC partners, it is claimed in Whitehall that the Commission and the council have both responded to it positively.
Other issues to be considered

by today's council include:

Whether national author Whether national authorities can bloc a merger already approved by Brussels. The West Germans are pushing hard for a such provision, although the Commission is opposed on the grounds that it would undermine the aim of "one-stop" merger regulation.

• A UK proposal to index the

mous approval, rather than to qualified majority voting. The final wording of the criteria for judging mergers. The UK insists that competition should be the sole grounds for EC rulings, while France wants to include some reference to wider market consider-

mate interests - such as defence, media, banking - un-der which member states can

A precise definition of legiti-

intervene in mergers affecting their national industries has also yet to be settled. The French Presidency hopes final agreement can be reached on most areas at today's meeting. But Commission officials believe that because the outstanding issues are closely linked, more meet-

Bosch leads the march. Page Ecu5bn threshold to Commuings may be needed.

cials stressed that last week's rise in interest rates had amounted to a significant tightening in monetary conditions. The Government did not have a specific target for the pound although it desired a firm exchange rate even after yesterday's falls, they said. Officials gave clear indica-tions that they believed mone-

year when the Government cut interest rates as the pound

taining a "relative" monetary tightness. Intervention by the Bank of

England yesterday was described as modest and designed to smooth the pound's decline. Analysts said the Bank's actions did not appear to be directed at holding the pound above DM3. despite Britain's \$42.9bn of gold and foreign currency reserves available to defend it. Analysts said that although the pound found some support at its closing level, a renewed bout of selling was likely. They

pointed out that a lot of overseas investors had put money in UK capital markets on the belief that the pound would not be allowed to fall below DM3. This was no longer the

The current weakness in the pound started two weeks ago when the Government said Britain had a £2bn current account deficit in August, tak-ing the cumulative deficit for the year so far to £13.7bn. This high deficit shocked financial markets and was taken as evi-dence that domestic demand in the UK was still too high

WORLD WEATHER



Sterling falls to below DM3 Continued from Page 1

tary conditions were still tighter than a week ago before the base rate rise. This explanation was reminiscent of last

SECTION III

FINANCIAL TIMES



Taiwan is confident as it prepares for its first general election since the ending of martial law. The

question is whether there is enough respect for democracy and traditional values to absorb the tensions released by new political freedom, writes John Elliott

Challenge of growth

TAIWAN is an enigma. It is not generally recognised as a sovereign state but, as the world's 13th largest trading nation, it is forcing itself into the international arena. Taipai's stock exchange is sometimes the busiest in the world, but its casino-like specu-lating is based on only 177 stocks and it does not play a significant role in funding the

Against this, critics point to the appreciation in the value of the New Taiwan dollar by about 50 per cent in the past four years against the US dollar and an economy which, they say, is overheated, with worrying signs of growth run-

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ning out of control.

But such a catastrophe does not seem imminent on this island of only 20m people who have generated foreign exchange reserves of around \$75bn and who enjoy an annual per capita income exceeding the official figure of about \$7,000.

about \$7,000.

The government pursues an unreal foreign policy by officially calling Taiwan the Republic of China and by claiming sovereignty over mainland China, which in turn regards Taiwan as a recalcitrant province. There are no official dealings with Peking,

yet two-way trade last year totalled at least \$2.5bn, and substantial direct investment has been made on the mainland. Tens of thousands of Tai-wanese were visiting the mainland every month over last year, but this exchange has been staunched by the events of June 4 in Tiananmen

Square. Now Taiwan is about to hold its first ever democratic gen-eral election. But the result cannot oust the ruling Kuo mintang (KMT) government because about 190 elder legislators elected in 1947 on the Chi-

nese mainland cling to power, perpetuating their dream that Peking is an illegal regime.

For such a place to be emerging, not only as one of the region's economic tigers, but also as a highly adaptable nation, is one of the Orient's nation, is one of the Orient's latest great enigmas. The question now is whether there is sufficient flexibility, patience, and respect for democratic authority to sustain the economic growth - or whether ent state of pro Taiwan will fall back into the independence. familiar Asian cycle of growing social unrest, riots, political

Taiwan's future is complicated





es of economic growth: a skilled and reliable workforce; and traffic conge

by its relationship with Peking. Forty years ago, in May 1949, Generalissimo Chiang Kai-shek founded the modern Taiwan when he fled there from the mainland after his nationalist government had been defeated by the Communists. With him went between 1.5m and 2m followers. They were unwillingly accepted by a population which had been happier with its previous Japanese rulers.

Peking wants the island to accept its conversionty in the

accept its sovereignty in the same way that Hong Kong and Macao are returning to its fold in 1997 and 1999. Taiwan has no intention of accepting such arrangements under the present Peking regime, despite its Chinese roots, and this inevita-bly causes tensions. Nevertheless Taiwan has emerged from the trauma of China's political upheavals in June with far more self-confidence than Hong Kong. Unlike the situa-tion in the British colony, there is no international treaty putting a time limit on its present state of prosperous de facto

Talking about reunification

social unrest, riots, political is like going to church on Sunrepression, and even military dictatorship.

Located about 100 miles off the mainland of China, policy expert, "China sees requirification sees the social unrest framework the sees that the sees that the social unrest framework the sees that the social unrest framework that the sees that the social unrest framework that the sees that the social unrest framework that the social unrest is a lot of talk but no movement," said one foreign policy expert, "China sees the social unrest, riots, political is like going to church on Sunday, and even military day just to keep the faith.

There is a lot of talk but no movement," said one foreign political is like going to church on Sunday, in the social unrest and the social unrest policy expert. "China sees reunification as its goal . . but

Taiwan sees democracy as the goal."

Mr Nelson Chang, 38-year-old

president of Chia Hsin Corporation, a leading private sector company, is not untypical when he says: "I am Chinese and I want to see one China – but not within my lifetime. Before that the mainland would not be ready in terms of a free economy and political

Taiwan's people basically want to keep Peking at arms length so that they can remain free to develop their prosper-ity. Although 17m of the 20m population have come from, or are descended from, mainland families, two other cultures have played an important role in blending the old Chinese Confucianism into an economically successful ethic for a peo-ple that now thinks in US dol-

One came with the Japanese who ruled from 1895 to 1945. Japanese colonial buildings in the capital of Taipei still proudly house important gov-ernment institutions, including the Presidential Palace. The other culture is from the US which has actively supported Taiwan for the past 40 years and whose universities have. educated and spawned the latest generation of top leaders.

For most of the past 40 years Taiwan has been ruled by an ageing KMT leadership under a martial law regime. Free enter-prise was however encouraged to such an extent that economic growth has averaged 8.85 per cent a year since the

But the spectacular eco-nomic breakthrough has only come in the past two or three years when the proceeds of years of successful export growth generated massive cash reserves. Little money flowed out of Taiwan, initially because of the government's protectionist policies, and more recently because of the strength of the Taiwan dollar.

The surplus cash formed the basis for rampant speculation on the stock exchange and property market, fuelled by underground finance companies which flourished because of out-dated government financial controls. The cost of living has soared and Taipei property prices have doubled within a year or two, putting new homes out of the reach of young married couples. Little money has gone into industrial

Rapid political and social changes began three years ago when the late president, Mr Chiang Ching-kuo, son of Chiang Kai-shek, began a liberalisation process. They have been continued by Mr Lee Teng-hui, who succeeded him when he died early last year, and by a new prime minister, Mr Lee Huan, who was appointed in May.

Martial law was lifted two years ago, permitting new

years ago, permitting new political freedom and releasing forces which led to street pro-tests, a rash of labour mrest, and a new militant concern

about the environment.
Compounding the social changes, there has been a rapidly rising crime rate. There has also been a decline in the population's traditional work thic as people have found it financially more rewarding to speculate on the stock and property markets.

"The most worrisome thing is that we have had this politi-cal democratisation, economic liberalisation and the social opening up, all coming to a confluence in a very brief period of two years," says Mr. Fredrick Chien, Taiwan's top economic planner: "Therefore people are really enjoying this new found freedom and everybody would like to practice it to the maximum. That is what worries me. But I hope this

suggests that the government is having problems administering an open system with old-"There is a risk that one day

CONTENTS

Underground investme High-tech sector; Oversess

Investment: ICI in Talwan Environment Labour relations **Profile:** Dr Fredrick Chien

KEY FACTS

Population: 20m Area: 13,900 sq miles (64% forest) Population density: 553 persons/sq km Population growth: 1.2% Currency: \$1 = NT\$25.5 £1=NT\$4L30 (Oct 1989) Foreign reserve \$74.8bn (Oct 1989)

GNP: \$119.7bn GNP growth: 7.3% Total two-way trade: \$110bn Exports: 55.7% of GNP Imports: 45.3% of GNP Leading trading partners:

US, Japan Inflation: 3.5% (Sept 1989) Official Language: Mandarin Chinese

Major cities: Taipei, capital; Kaobsiung All data 1988 unless

otherwise stated

soon, people will wake up and realise that they have worked hard for years and achieved

nothing in real terms," says a

foreign banker.
Compounding the problem is a lack of firm direction by the government whose ministers

and top civil servants have not

yet adjusted to the new open political system where opposi-tion parties and other interest groups wield influence. This

has been specially evident in the handling of underground

finance companies and the

stock market, where policies have been announced, then

have been announced, then watered down. The government has also been less than firm on labour, the environment and other problem areas.

Some people view this as a sign that the government has lost control. Some even speculate about a reassertion of martial law by the still powerful

tial law by the still powerful

and conservative military establishment, headed by

69-year-old General Hau Pei-

tsun, the veteran chief of general staff. Such a move could

find sympathisers among the

elders of the KMT, who are

coming under increasing pres-

A more plausible scenario

sure to retire.

style restrictive laws and that it has no option but to run the country on a loose rein till the general election on December 2. Then, it is hoped, ministers will take a more consistently

robust line. In many ways 1990 is likely to be the year when Taiwan shows which way it is to begin to move out of its present

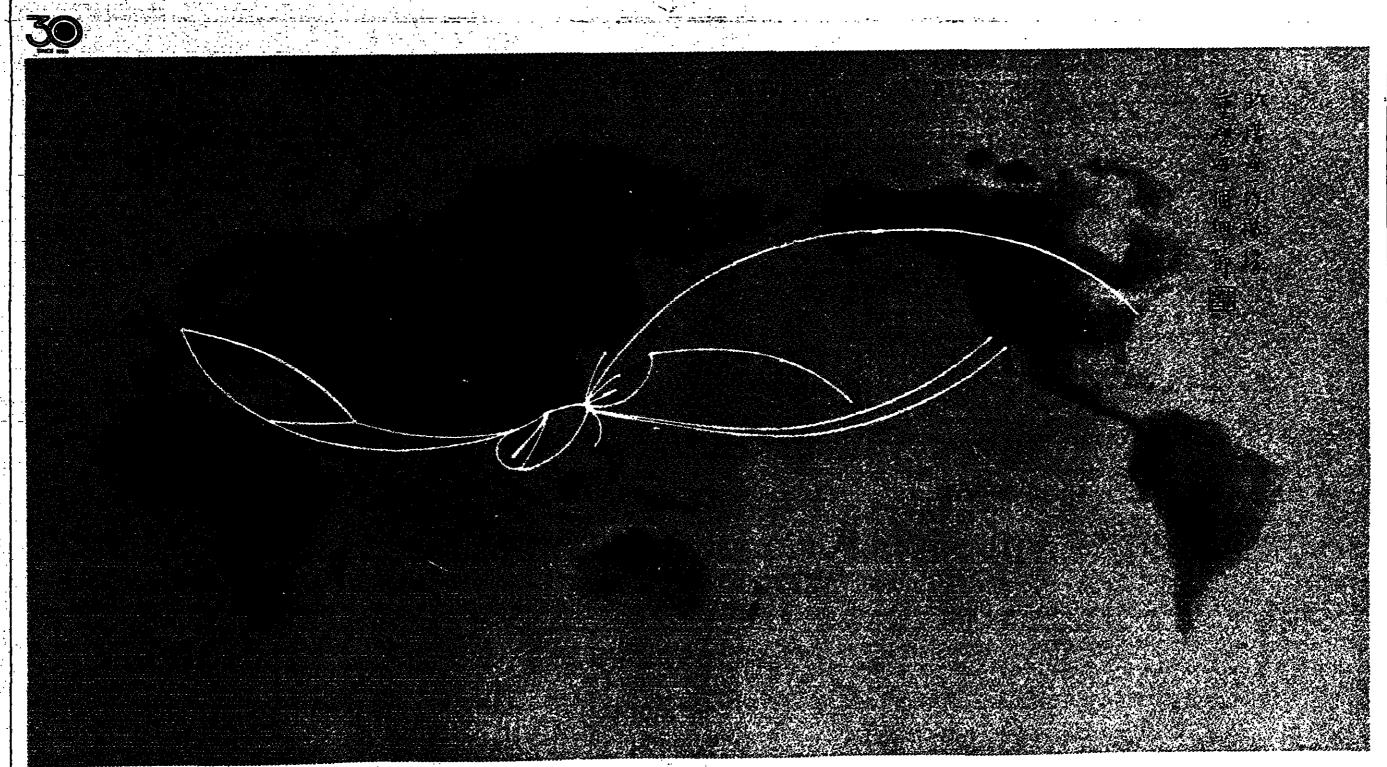
period of flux.

First there will be the degree of confidence shown by the

government, which is certain to be re-elected, in the face of a more self-confident and assertive political opposition. There will be reforms to be implemented in the financial, labour and other sectors.

Then there will be the annual test of labour militancy around the time of Chinese New Year in February. The extent of social consequences of what one prominent busi-nessman calls the "agony of growth" will also become clearer as people adjust to the advantages and the tensions of sudden but uneven increases in the distribution of wealth.

"Taiwan is at a transitional stage and some scars are inevitable as the price of our sudden freedoms and wealth," said a leading industrialist. "What is not clear at present is the size



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CHINA AIRLINES TAIPEL TAIWAN, ROC

A Passion For Detail



John Elliott on how Peking's historic claims cloud any sense of independence enjoyed by the island

Overshadowed by the China syndrome

TAIWAN looks and feels like an independent country. It has a parliament, a president and prime minister, and its own currency, army and police. It also displays the self-confidence of a thriving self-suffi-

Yet it is not independent, does it want to be, not in the immediate future - nor

Machine tools

CHINA

does it admit allegiance to any other country. But it enjoys an assumed but undeclared independence, and it has recently begun actively to use its growing international economic

It still formally insists it is the lawful government of the entire Republic of China and importance to improve its diplomatic recognition which at that it wants to reunite with present is extremely limited.

The situation is complex the mainland under democratic because of the relationship But it knows most of the population are happy with the present de facto independence

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and it has accepted in recent years that reunification should be a long term target to be achieved by persuasion rather than military action. At the same time, Peking claims sovereignty over Taiwan which it regards as a recalcitrant province. It has said it would invade if Taipei declared independence and wants Taiwan to follow Hong Kong and Macao back into formai acceptance of its sovereignty under an arrangement

The price of this stand-off between Peking and Taiwan is that the island does not have normal international diplocountries have chosen to recog nise Peking rather than Taipei. The gap in the image of a sovereign island that is immediately evident to a visitor is the absence of a large diplomatic community in the capi-

known as "one country two

tal of Taipei. There are no embassies of any size apart from a collection grey self-conscious looking buildings which house the old US embassy, renamed the American Institute in Taiwan when the US recognised Peking and dropped Taiwan in

Only 24 countries, mostly small nations in the Caribbean and Central and South Amer

with mainland China. The Nationalist government, which has ruled Taiwan for the past 40 years, has never recognised Peking's Communist regime. ica, formally recognise Taiwan, and Peking does not allow dual recognition. Three months ago Peking cancelled its recogni-tion of Grenada 19 days after the island announced that it was establishing formal diplomatic relations with Taiwan. The biggest countries giving recognition, which therefore do not recognise Peking, are South Africa and South Korea.

tions with countries giving Taiwan full recognition, improve ties within the "sub-stantive relationships" and upgrade Taiwan's role in international organisations.

The major countries with "substantive relations" have an increasing number of dis-creet trade and cultural offices in Taipei, which process visas

Peking regards Talpel as a recalcitrant province. It wants Taiwan to follow Hong Kong back into formal acceptance of its rule under a system known as 'one country two systems'

With the rest of the world, Taiwan has to get on as best it can. It has what it calls "substantive relations" with 123 countries including the US, Japan, Australia and the UK. The ruling Kuomintang Party also builds extensive contacts with foreign political groups, like Britain's Conservative Party, as a cover for govern-ment to government relations which cannot be conducted

openly.
"We have been stressing that we want to improve our relations with most countries, and we do not mind how they conduct their relations with Peking, although unfortu-nately Peking tries to merge the two issues together," says Mr Chien Jen Chen, a vice minister for foreign affairs, explaining how the Govern ment has softened its stance in an attempt to achieve wider recognition through a policy of diplomacy with flexibility or

pragmatism."
He says that the Government's three-pronged policy is

MR LIN Zheng Jie stood with his supporters by the door of a

Taipei, spasking hands as peo-ple filed past him into a rather low-key political rally. Pop

singers sang, activists deliv-

ered speeches, and actors per-formed skits - all against the

ruling Kuomintang (KMT)

political party and in support

of the Democratic Progressive

Party which forms the coun-

try's main opposition. This is the new-style of open

Taiwan politics as the country

limbers up for the first signifi-

year history. "These rallies

were more emotional and

vibrant before martial law was

lifted in 1987 when they were underground and illegal," com-

mented Mr Antonio Chiang, a

leading opposition figure and a

magazine editor. But the fact that the DPP had managed to obtain a large government-run school hall for its rally showed

that it had developed some political muscle in its two ears of lawful existance.

The elections take place

across the country on December 2 for more than 100 seats in

the Legislative Yuan, or parlia-ment, and for the posts of mayor in more than 20 provin-cial cities. These elections are

important for several reasons.

They are the first to be held both since martial law was lifted and since the current Taiwan-born president, Mr Lee

Teng-hui, succeeded the late Mr Chiang Ching-Kuo. They will not change the

embly hall in central

and form the capital's unde ground diplomatic community. They all avoid anything resembling normal open diplomacy. The head of a new UK visa office, which opened in June, formally retired from the British foreign service to take the job. Like other countries officials, he clears visa approvals with London each day, then "processes" them with a Lon-don stamp, instead of issuing

hem himself.
Hiustrating the flexible diplomacy, he operates under the banner of a long-standing Anglo-Taiwan Trade Committee office. He shares premises with a new Anglo-Taiwan Education Centre, funded by British universities and local UK companies, which helps stu-dents find college places.

Taiwan is a member of only 10 inter-governmental organi-sations including the Asian Development Bank. Mr Chen says that the number is small "mainly because of Peking's blocking." Taiwan hopes soon to apply for membership of the

GATT, although Peking has made it clear that it wants to

be admitted first. Peking also tries to force Taiwan to adopt names that make the island sound like a province of the mainland. In sports contests it is known as Chinese Taipei, which it accepts, but it was not happy with Taipei, China, which it had to use in the Asian Devel-opment Bank. It would prefer a more independent identity in inter-governmental organisa-

At the centre of all this activity is Taiwan's emergence as an important international economic force with foreign reserves of around \$74bn and an ambitious, energetic industrial elite anxious to expand

To back this up, Taiwan has launched a \$1hn Overseas Economic Co-operation and Devel-opment Fund which may be expanded to between \$3bn and \$5bn in the next five years. So far \$100m has been committed to nine projects including \$5m for Costa Rica to build an export processing zone.

The Solomon Islands, which has recently stationed an ambassador in Taipei, is also expected to receive enhanced aid. Gustemals, the Dominican Republic, Malawi, Panama and Paraguay are also in the

All these countries formally recognise Taiwan and are receiving preferential treatment. No government spokesman will fully admit this, although Mr Chen admits that Grenada would find its recognition of Taiwan "mutually bene-ficial." Clearly the Government intends to use its growing economic importance to boost its international standing.

The three cardinal rules

TAIWAN has a rigid policy of "three nos" for its dealings with mainland China. In order to "safeguard its national interests and security," the Government "refuses to negotiate, compromise or make contact with the Chinese Communist regime," says a government spokesman. "The three nos are designed to keep freedom in and communism out of Taiwan.'

But around the edges of that policy, the Government has been introducing increasing flexibility for access by Taiwanese people to the mainland, although it is less relaxed about letting mainland people into its territory. Until the Tiananmen Square

crisis in June, this was leading to improved, though indirect, relations between Taipei and Peking. Ms Shirley Kuo Finance Minister, was the first member of the government to go to the mainland when she attended an Asian Development Bank conference in Peking in May.

In order not to upset this trend, Taiwan's criticisms of the June events were relatively restrained, though Peking has condemned Taiwan for aiding the students'

democracy movement. Since the end of 1987, Taiwan has allowed family reunions with people on the mainland. The total number of people who have gone from Taiwan exceeds 370,000, including as many as 44,000 in one month earlier this year. Indirect trade is allowed. It is usually channelled through Hong Kong whose customs officials put last year's two-way trade at \$2.7bm. In the first five months of this

year the total was \$1.7bp,

although there has been a

rate National Assembly, are clinging on till next March

when the assembly will carry

college for choosing the president. (It is assumed that the reformist Mr Lee Teng-hui will

In all there are 29 political

parties. But the KMT and DPP dominate the political scene

and there are only four others are of any significance. Two,

called Labour and Workers, are

trying to garner support among the fledgling trade

union movement but have only

a limited appeal because of a lack of significant class divi-sions. The other two are small and have existed since before

1949 - the China Youth and China Democratic Socialist. The KMT and DPP both held primaries in July for their local candidates which caused infar-

nal bickering and stirred up

nolitical awareness. The main difference between them is

out its function as an electora

be re-elected.)

decline since June. Indirect investment in the mainland is also allowed and is thought to total \$200m. Mainland authorities put the total at \$500m, which could include all letters of intent.

Indirectly routed postal and telecommunications arrangements were simplified in June to help people send facts about the suppression of the students movement to contacts on the mainland. Legislation called the Two

Regions Statute is now in its final stages of drafting in Taipel, This will regularise indirect trade and investment and it will also recognise official mainland documents relating to personal affairs such as birth certificates. Members of Peking's Communist Party visiting Taiwan will also be exempted from prosecution as members of a rebellious organisation.

Such legislative changes are needed to underpin the status quo and to facilitate indirect contacts. But there is no softening overall. "Our policy is reunification of China under freedom, democracy and equitable distribution of wealth," says Mr Ying-jeou Ma, executive secretary of a government committe

andling mainland policy. He says the "one country two systems" idea being introduced for Hong Kong and Macao is "very different." It would put Talwan "into the position of a local government" as a special administrative zone. "We cannot accept being downgraded to a local government, subject to the whimsical decisions of Peking," says Mr Ma.

POLITICS

Poll test for the ruling KMT



assured of victory. But they will provide the opposition with its first chance since it was legalised to demonstrate its public support at the polls. The DPP says it hopes to win 30-35 per cent of the popular vote, compared with the last election in 1986 when its condielection in 1966 when its candidates stood illegally and won 22 per cent. The DPP also hopes to win between five and 10 contests for the posts of mayor, which are important in

have in the Legislative Yuan is muted because of the continued existance of about 190 elders who were elected in mainland China in 1947 and hold their seats till they retire or die. Together with elected KMT members, they guarantee the ruling party continues in

Under political reforms started with the lifting of mar-tial law, these elders should now all be retiring. Legislation to enable this to happen was passed earlier this year. But

that the KMT clings to its formal policy of being the ruling party for the whole of China and wants to maintain the nt tightrope relationship with Peking. The DPP, which has been an many of them are loth to go before the new elections and others, who dominate a sepa-

uneasy coalition since it was founded in 1986 out of long-standing opposition groupings is split. A moderate Formosa Faction wants gradnal moves towards indepen-dence, but is basically interested in speeding up political reforms. A younger and more militant New Tide believes that independence is the primary issue and that it should be declared unilaterally, challenging Peking to carry out its threat to invade. In the election, independence

5.3

耳袋 医水溢

Republic

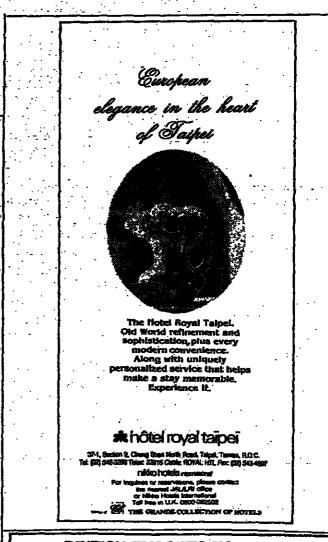
Sep Harm

is not expected to be a domi-nant subject. It will however be notally debated, despite the fact that its advocacy is illegal. More immediate issues are expected to be social and economic problems such as law and order and a worsening crime rate, polintion and the environment, the price and scarcity of housing, and traffic

SURPRISING Treasures and traditions of yesterday and today in ums, and in the streets. Stunning scenery and exotic intrigue from sea level to snow level. All with a flavor







BRITISH EXPORTS TO TAIWAN ARE BOOMING 1985 - £165 Million 1987 - £292 Million 1989 - £400 Million For Advice on how to tap this market, sek the Expens: ANGLO TAIWAN TRADE COMMITTEE 7F, WEITERN HOUSE, DINGWALL ROAD. CROYDON CRO OXH Tel: 686 0440

Unpalatable price of success

Cadillac with gold trimmings does a U-turn in Taiper's fashionable Tunhus North Road and pulls into the kerb, depositing a slightly plump young man from one of its six doors. Hardly anyone gives a second glance. A few yards further down, the Asiaworld Plaza Hotel is offering one night's stay in its Genghis Khan Presi-

dential Suite for a mere \$5,500. Tales of outstanding wealth are legion in Taiwan after 27 years of economic growth averaging 9 per cent a year. One of the country's richest men is reputed to keep piles of US dol-lars and pound notes in the transparent base of a layatory whether for security or show is not entirely clear.

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The principle of the pr

eing a local

Per capita income has more than doubled in the past four years to about \$7,000. But the country's riches, the product of a tireless export drive, have created serious imbalances in

investors with idle savings have been unwilling to put them into the antiquated state banks, which have traditionally offered paltry interest rates, so investment has found its way into a vast underground financial system which has sent the stock and real estate markets out of control. Many ordinary people can no

longer afford to buy a home unless they play the markets successfully. A state bank employee on a salary of T\$70,000 a month would not earn enough in a lifetime to buy one of the new two-bedroom apartments selling for NT\$40m in eastern Taipei.

Capital is also beginning to flow out of Taiwan at a rate that is raising official evebrows. The country registered its first balance of payments deficit for nine years in the second quarter, when net capital outflow reached about

Part of this is going into short-term private investment abroad. Some is also moving into manufacturing plants in south-east Asia as Taiwan's industry adjusts to labour costs that are rising at 20 per cent a year and to a 55 per cent appreciation in the Taiwan dollar over the past four years.

Efforts to reduce the depen-dence on external trade, which showed a surplus of \$9.4hm in the first eight months of this year, have helped to slow eco-

| CONTRIBUTION TO GNF | BY SECTOR | (Percentage) |
|-------------------------------|-----------|--------------|
| | 1985 | 2000 |
| AGRICULTURE | 6,0 | 3.0 |
| NDUSTRY | 49.7 | 46.5 |
| Mining | 0.6 | 0.3 |
| Manufacturing | 40.8 | 38.9 |
| Construction | 4.2 | 3.6 |
| Public utilities | 4.1 | 3.7 |
| SERVICES | 44.3 | 50.5 |
| Transportation/communications | 6.1 | 11.0 |
| Wholesale and retail trade | 13.9 | 15.4 |
| Banking, insurance etc | 3.6 | 4.5 |
| Public and housing services | 16.2 | 13.5 |
| Other services | 4.5 | 6.1 |

accomplishment of 14 major construction projects," says Dr

the Council for Economic Planning and Development. This six-year programme, started in 1984, includes an underground railway for Taipei, better highways and new reservoirs, hospitals and

Fredrick Chien, chairman of

The Government plans to spend T\$2 trillion (million million) on improved transport facilities alone by 2000. "We hope this concentration of public investment would bring about an increase in private investment," says Dr Chien. At the same time, there are

plans to stimulate consumption by providing comprehenwhole population by 1995 and by increasing recreational facilities. A new town is planned on the outskirts of Taipei to relieve congestion and pollution in the capital.

However, projects are running into delays. The 14 infra-structure projects as a whole are about 20 per cent short of labour. Land is difficult to

Tales of outstanding wealth are legion in Talwan after 27 years of economic growth averaging 9 per cent a year. Yet many ordinary people are still unable to afford a modest home unless they play the markets successfully

lack of productive investment and growing signs of social dislocation have all emphasised

Source: Council for Economic Pleaning and

nomic growth. Officials expect

at 7 per cent this year after 7.3

growth to remain high, averag-

ing 6.5 per cent a year to 2000.

ected to reach \$13,400. But loss

of export competitiveness, a

The Government wants

per cent in 1988.

Annual average growth

2%

We would like to increase public investment, and we are currently pushing hard for the

o of the Tourist Charles and District and Security of the Secu

acquire, since escalating prices have encouraged landowners to hold out for higher bids, and an unsatisfactory bidding system is causing trouble. The Government also needs

to fund all this public spend-

ing. So it plans to privatise 19

state companies and banks. First, however, the Legislative Yuan (parliament) must pass a special statute - because privatisation runs counter to many of Taiwan's existing laws and that could take time.

Financial reforms are emerging, although the pace of change is not always swift. A credit squeeze earlier this year brought money supply growth down to 6.8 per cent at the end of July from 32 per cent a year

earlier. The Taiwan dollar has been relatively stable recently, since an 8 per cent surge against the US currency in April at the time of trade talks between Taipei and Washington. This stability is cited as another reason for the large outflow of capital, as hot money previously attracted by an appreciating currency retreats.

Foreign reserves are the world's largest after Japan measuring \$74.8bn in early October – enough to cover 13 to 14 months' imports. They are expected to hit \$76bn by the end of the year, compared with \$73.9bn at the close of 1988 and a record \$76.7bn in

The Government is preoccupied with inflation, and has managed to bring the consumer price index down to about 3.5 per cent from a high this year of 5 per cent. But this gives no impression of wider inflation, including wages and housing costs, which unofficial estimates put at between 8 per cent and 20 per cent.

Over the longer term, Taiwan is having mixed success with its economic restructuring. Exports have grown unexpectedly fast this year, but the goal is still to reduce the surplus to 4 per cent of GNP by 1992 from 10 per cent last year.

The savings rate is falling, from 38.5 per cent of GNP in 1987 to an estimated 31 per cent this year. But the growth rate of capital investment is also slowing as people spend more on private consumption.

Taiwan's economy is at a crossroads, grappling with structural problems that are a direct result of its past achieve ments. Its future strength will depend on channelling the new-found wealth into investment that will improve the quality of life and make best use of its skilled and technologically able workforce.

TRADE

Under Washington's eye

IN TYPICALLY flexible fashion, Taiwan is managing to keep its exports buoyant while responding both to ris-ing domestic costs and pressure from abroad to liberalise imports. The secret of the world's 13th biggest trading nation has been to find new markets and to shift exports away from cheap cuddly toys and shoes to sophisticated

omputer goods. Change has been forced on Taiwan by US pressure to reduce its buge trade surplus. The Taiwan dollar has surged by about 55 per cent against the US currency since 1985 at a high cost to local exporters. Low cost manufacturing is moving to cheaper sites in Thailand, Malaysia and the Philippines, while Taiwan itself switches to high value

added production. In the first eight months of this year, electrical and electronic goods accounted for 32.4 per cent of exports, while toys and sports goods represented just 4.5 per cent. At the same time, Taiwan has low-ered its import barriers. The average effective tariff rate has dropped from 7.5 per cent two years ago to about 5 per cent two years ago to about 5 per cent now and is due to reach 3.5 per cent in 1992 — bringing it into line with the world's industrial nations.

A hetter halance hetween import and export growth is not materialising overnight, however. Labour unrest in South Korea and turmoil in mainland China have unexpectedly boosted exports this year, as US and Japanese orders have switched to Taiwan. Some orders have gone to Taiwan's lower cost production facilities in southst Asia, but that has only helped exports of intermediate products from Taiwan to its

The result has been a 10.7 per cent rise in Taiwan's exports in the first eight months, against an increase in imports of only 4.8 per cent. Yet there has been an improvement in the problem of the surplus, most of which is with the US. On the face of it, Taiwan's surplus with the US rose 26.5 per cent in the first eight months. But last year a reduction in the surplus from \$16bn to \$10bn was helped by nearly \$3bn worth of

gold imports. This year, as a

Taiwan trade 1988 **3**13,018.2

Electronic products Textile products 8.572.1 3,888.5 Flectrical M/C & apparatus 3,607.7 **羅 3.488.7** Toys & sports goods Machinery Plastic products 2.050.0

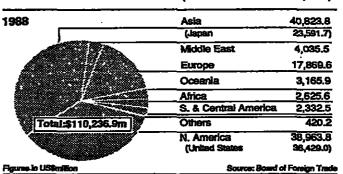
Transportation equipment Wooden products Optical instruments Сегатіс ргосысіх Figures in US\$misic

2519.6 734.1

Electronic croducts 6.844.4 Machinery 777777 4.975.7 Chemicals Transportation equipment Crude petroleum 1.976.3 Electrical M/C & apparatus 2000 1,842.6 Food, beverages & tobacco 2000 1,825.4 222 950.8 Paper,pump Refined petroleum products 222 839.9 Medical equipment **926** 774.3

22 479.9

Trade distribution 11.166.7 6.810.0) 3,158.3 4,008.6 Africa 804.8 815.3 360.7 (United States 9,033.0)



salt of protests from the US, little gold has been imported. So the surplus with the US excluding gold actually fell by

12 per cent. The US's share of total Taiwanese trade fell to 30.4 per cent from 34 per cent in the same period last year. But Japan, whose large surplus at Taiwan's expense continues to cause concern, saw its share of trade creep up to 21.5 per cent from 20.9 per cent.

Trade with Europe has climbed sharply in recent years, from 12.5 per cent in

Source: Board of Foreign Trade 1986 to more than 16 per cent now, and officials want it to reach 20 per cent by the end of

1992. The date is significant,

since the European Single Market is viewed by local business people with a mixture of trepleation and enthusiasm. Taiwan is the world's sixth biggest exporter to the European Community, and most European countries now have visa processing offices in Taipei where once their recognition of mainland China held them hash

them back. Ironically, Taiwan's trade

with the mainland, which is permitted if carried out through a third country, has also flourished this year. Mr Augustine Wu, deputy director general of the Board of For-eign Trade, said two-way trade had risen sharply in the first six months and then slowed after the events in Tiananmen that "soon it will be normalised," and expects trade to rise to \$3.5bn this year from \$2.5bn

Source: Board of Foreign Trade

Taiwan's efforts to reduce its surplus have lessened trade tensions. Currency appreciation, foreign exchange liberalisation and an action plan to cut the global surplus to 4 per cent of gross national product by 1992 all helped to avoid a citing as an unfair trading partner on America's Super 301 blacklist in May. Problems remain. Taiwan is still on a US watch-list con-

cerned with intellectual property rights, and Washington is also concerned that Taiwanese driftnet fishing is catching salmon that originate in UŠ

There are sporadic flare-ups over agricultural protectionism, too. Mr Wu says that Taiwan would be in a stronger position to end such protectionism if it were allowed to join the General Agreement on Tariffs and Trade. Taiwan's entry is being delayed by Peking's demand that it join first. "If we can gain full membership, we can gain more responsibility in trade," says

Taiwan, R.O.C., An Investment in The Future of Asia

The economic center of the world is rapidly gravitating to the Pacific Rim. Most major international business corporations have recognized this trend by their concerted investments in this region.

The Republic of China on Taiwan has been a prime focus of such investment. To the present tune of U.S.\$9.7 billion, foreign corporations are continuing a well established trend linking the future of international business in Asia with the stability and dynamics of Taiwan's economic miracle.

There are good reasons for such a vote of confidence from the world's major international corporations:

The Republic of **China's Human** Resources

Taiwan's most precious resource is also its most unique quality. Enjoying one of the most democratic societies in Asia, the residents of Taiwan have proudly continued the traditional Chinese Confucian work ethic. Dedication. sincerity, compassion, and an emphasis on education, these elements of the Confucian tradition continue today and form the basis for the "Taiwan Economic Miracle"

The quest for education has created a highly skilled labor force. Taiwan's human resources, for example, have propelled the island's computer industry to the forefront of the international PC market. Moreover, substantial investments by IBM and, most recently, Texas Instruments testify to the skill and cost efficiency of the island's human resources. The American risk analysis firm, Business Environment Risk Information (BERI), has rated ROC workers as tops year after year.

In business management, many of Taiwan's top and middle level management have overseas experience and are concurrent with the latest business trends and practices. They are not afraid of work or of giving 200% when the job demands the maximum effort. Recently, more and more local businessmen have been selected as chief officers of foreign enterprises established in Taiwan. The hard work and dedication of the local labor force has continually attracted foreign investment in



ROC Government Investment Policies

The ROC on Taiwan has consistently sought foreign investment as a partner in its development of the island's social, political, and economic structures. As a result of its close association with the international community, Taiwan has rapidly developed as one of the strongest economic and democratic forces in Asia.

The ROC enjoys one of the freest presses in Asia and continues to develop grassroots access to the government. The same youthful and forward looking style that characterizes business management in Taiwan is also regularly evident in the new generation of managers that is rapidly rising to the top in government.

The ROC continues to be very liberal in its foreign investment policy. It has lifted all restrictions on the percentage of ownership held by foreign investors, allowing on hundred percent foreign capital. Net profit, interests, and invested capital are allowed to be converted to foreign currency and remitted freely. The government treats foreign invested enterprises the same as firms established by Chinese citizens. Moreover, it also protects foreign investors, allowing one hundred international agreements and rigid local enforcement.

The government has placed



ROC's President Lee Danghid mass

special emphasis on investments | computer & communications industries, electronics, and precision instruments. In the city of Hsinchu, the government has established one of the most modern scientific parks in Asia. The Hsin-chu Science Industrial Park is rapidly becoming known as the "Silicon Valley" of Asia. The ROC is pushing forward to move from the OEM stage of the high-tech industry on to the ODM (Original Design Manufacture) level.

The ROC is also looking for foreign participation in the develop-ment of the local aeronautical, fine chemical, bio-tech, and environmental protection industries.

The ROC's investment policies are keyed to developing the future economic potential of the Pacific Rim, now.

Strong Domestic Market

Ford Motor Company established a joint-venture in Taiwan years ago and has become one of the top five largest companies in the domestic market. General Motors will establish itself later this year. The local stock market had a capitalization of US\$231.2 billion at the end of May, 1989. Recently, the government has permitted foreign securities firms to set up branches in Taiwan.

Over the years, thirty four foreign banks, all among the top 500 world banks, have established their presence in Taiwan. Taipei was selected as the first Asian city to host the annual Pacific Basin Finance Conference because of its domestic capital market's rapid growth and the substantial changes | regarding the improvement of economic liberalization. The U.S.'s CitiBank is keeping pace with the expanding domestic market by planning the establishment of twenty five branches island-wide within five to ten years. The Swiss firm of Egon Zehn-

der International, Ltd. cited the ROC as one of the three Asian countries expected to achieve the greatest banking growth. Moreover, in the Foreland report prepared for international lenders by the American firm BERI, the ROC is ranked among the only four countries in the best risk borrower category. Domestically and internationally Taiwan represents an investment in the economic prosperity of the Pacific Rim.

The Role of the **industrial Development and Investment Center** (IDIC)

The Industrial Developme and Investment Center (IDIC) the ROC Ministry of Econorr Affairs is the bridge that assists prospective foreign investors in finding the suitable role for their investments in Taiwan.

Functioning to assist the development of your plans for investment in Taiwan, IDIC performs a number of services such as: analyzing and reviewing investment projects, promoting investments, carrying out studies and offering recommendations

IDIC brings together the investment needs of both the ROC government and the foreign

Since ROC is also strongly emphasizing foreign technology transfers, it has established the Technology Transfer Service Center. The Center acts as a bridge between the foreign technology investor and local industry, helps select the ideal local partner for investments, arranges meetings, provides consultation and a host of other services.

Remember, only three hours south of Seoul, three and half hours south of Tokyo, seventy minutes northeast of Hong Kong and eight hours west of Honolulu, lies the economic miracle of Taiwan. Invest in the future of Asia now, invest in Taiwan. For more information contact:

| Name: | <u> </u> | |
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| Title: | | |
| Company/Add: | | _ |
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Alison Maitland on a banking system only just beginning to revive after decades of bureaucratic rule

Much to do after years trapped in a time warp

BEING employed by one of Taiwan's state-owned banks involves the dubious pleasure of sleeping overnight in the office every few days. The safe may have time-locks but the rules insist that staff, rather

than police or security guards, ensure the banks' safety. Sleepy staff are symbolic of a banking system that is only just beginning to revive after decades of stifling bureaucratic rule. While economic growth has leapt ahead, the country's financial sector has been caught in a time warp.

The reason is the ruling

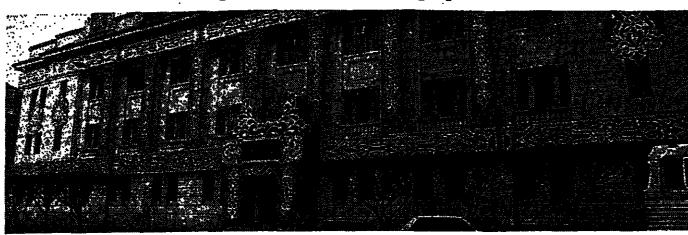
Kuomintang Party's long-standing dread of infla-tion. The nationalists believe that rampant price rises and economic chaos on mainland China paved the way for their defeat at the hands of the Communists in 1949.

So almost every bank is under the thumb of one state organisation or another, and deposit rates have typically been kept low. Taiwan's excess liquidity has instead flooded into far more lucrative unofficial outlets and fed a huge black economy in money. One foreign banker esti-mates that between 40 per cent and 50 per cent of Taiwan's

around in this unregulated Apart from the scandal over underground investment es, there is an unofficial market in Chicago hog belly

and orange juice futures. Ille-

total money supply is swirling



gal money lenders make short-term loans for property and stock market speculation and "stock friend societies" spring up in villages around the country to ramp a share price for a few days before dis-

eration of government minis-ters and officials is keenly aware that things have to change if Taiwan's resources are not to be squandered.

The Government and pecple here realise they need to have an indigenous financial base," says one foreign analyst. "What is going to be Taiwan's most significant export over the next 20 years? The answer is capital."

Reforms have begun in the past couple of years. Foreign exchange controls have been ed in stages and Taiwanese individuals and companies may now take out up to \$5m each year and bring in up to \$500,000.

The central bank's domina-tion of the exchange rate sys-tem ended in April. Now a group of nine banks, including some foreign ones, determines the daily range for transactions up to \$30,000, while rates for larger trades are negotiated between banks and their cus-

Foreigners have been allowed to play a bigger role in the securities market, too. Last year, the Government permit-

Capitalisation reached \$233bn at the end of August,

placing Taiwan second only to

Japan in the Asian region.

There are just 177 listed com-panies, and only about 35 per cent of their share capital is

freely tradeable, with the rest

Yet turnover value on some

ted them to take stakes of up to 40 per cent (10 per cent per foreign company) in local secu-rities houses, which were allowed to combine underwriting, broking and trading under one roof.

American, British and Hong Kong houses have taken stakes in local firms and have begun to tap Taiwanese savings by selling overseas mutual funds. Three foreign securities houses are also to be allowed to open branches, though the requirements of \$20bn in assets, \$2bn in paid-in capital and membership of the New York, Tokyo and London exchanges mean that only big

US firms like Merrill Lynch

have shown interest so far.

The big four Japanese brokers are prohibited by Tokyo's recognition of Peking from applying, although there have been oral commitments to allow smaller Japanese firms to establish links

Under revisions to the Bank-

Law passed in July, the official floor and ceiling on interest rates were removed and this has helped banks to offer more competitive rates. But one of the biggest reforms introduced in July -the opening of the domestic market to new private banks

is facing delays. This is partly because of the extraordinary response to last year's lifting of restrictions on new brokerages. About 150

Taiwan's 180 brokerage houses.

"It used to be about 85 per cent middle aged housewives, but as

the market's gone higher and

higher, more husbands are

showing up because their

wives are earning more than

Fundamentals play little

part, with the emphasis on

chart movements and tips passed by word of mouth. Manipulation by so-called "big players" drives a stock to its daily limit and the crowd fol-

lows. But locals insist they

know what they are doing.
"The Chinese are very smart,"
says Mr Chao Hslao-Feng, president of the Stock Exchange.

"They seek the most profitable channel."

That can mean finding ways around the law. As the market bounced back from last year's

bounced back from last year's capital gains tax shock, the number of share accounts swelled astonishingly from less than 1m to 3m. Big investors had opened thousands of surrogate accounts, often using the names of college students, to spread their profits and avoid the tax, which applies to amounts over NT\$10m a year.

The real number of investors

The real number of investors is nevertheless thought to be at least 2m, or 10 per cent of the population. Demand still

they were," says one broker.

Price Earnings Ratio (1989 estimate)

Underground investments

The alternative money-markets

THE Homey department store in Nanking East Road is any-thing but retiring. Inside the nine-floor store, whose name is emblazoned on the pink exte-rior, smartly uniformed guides stand by the escalators to direct the shopper to the near-est Gucci counter or Pierre

firms applied successfully to set up in business, giving Taiwan a total of nearly 180

brokers and swelling trade on the volatile stock market. It is

feared that a host of new pri-vate banks could make

Taiwan's speculative financial

markets even harder to con-

Already more than 20 groups

have expressed an interest in

mercial - want their planned

partial privatisation to be com-

run-up to the December elec-

tions, and partly because there

is still no law to govern the loss of state control. So it is

unlikely to be before next year

at the earliest that internal competition begins to shake

Taiwan's hanking system into the modern world.

canitalisation.

The Government's latest

plan to cool feverish demand is

a share transaction tax, which

will replace the discredited capital gains tax next year. It was initially to be 2 per cent,

but the figure has come down

to 15 per cent and many peo-

than I per cent. The Govern-

ment does not want to cause another upset just before December's elections.

The watchdog Securities and Exchange Commission, ham-

pered by staff shortages, is also

treading softly with its mea-sures to curb manipulation. These include widening the daily price fluctuation limits,

improving the quality of infor-mation, introducing a central share depository next year, and working with the Justice Min-

working with the Justice Ministry to stop insider trading.

The gloves may come off once the elections are over.

"Some of the big players are seeing this grace period (before the sales tax in January) as a last chance to make big money in Taiwan before it changes to being a boring market like Hong Kong," says Mr John Engle of Hoare Govett, the securities firm.

Not that everyone is disheartened. Mr Li's homework tells him that the autumn will bring a fall of between 30 per cent and 40 per cent. But next year, he predicts, "the market will reach 15,000."

62.3

setting up a bank, even though the capital requirement may be as high as NT\$10bn. Balmain boutique.
This is the public face of the biggest of 'Taiwan's under-The other reason for delay is that the three leading state commercial banks — Chang Hwa, Hua Nan and First Comground investment houses, which have absorbed an esti-mated NT\$300bn (\$11.8bn) in the past three to five years and helped drive the local stock and property markets into a speculative frenzy.

pleted before they face compe-tition from the new banks. By offering interest rates of between 4 per cent and 10 per With state-controlled salaries at their current low levels, the banks fear all their best staff will be snapped up. It is a mea-sure of how underdeveloped The Government has

they are that until this year only three Taiwanese banks were allowed overseas underground houses cent a month, the unlicensed The banks' privatisation is itself being held up, partly by political considerations in the companies had little difficulty pulling in funds from the country's growing pool of savings when state banks were paying as little as 6 per cent a year. Homey was once known to residents of Taipei as a bakery

announced a

crackdown on the

chain. Now, according to the Finance Ministry, it has investments in restaurants and hotels, one in the Middle East, as well as two department stores and its stock market holdings. Its Chinese name is Hung Yuan, meaning "the source of prosperity."

In July, the Government announced a crackdown on Homey and the other 180 or so underground houses under the provisions of the revised Banking Bill. It outlawed all new deposits and introduced stiffer penalties, including a maximum seven-year jail sentence. For a few days there was pandemonium as investors besieged the companies demanding their savings back. When the houses could no longer cope, they imposed a three-month freeze on with-

The stock market fell heavily for a couple of days amid fears that a forced closure of the investment houses would trigger a collapse in share prices.
The underground companies operated a pyramid system, paying out interest with cash coming in from new investors. It looked as if a pack of cards was about to fall. Then all went quiet. The Government had stepped back from open confrontation.

The implications of taking too heavy a hand with the half dozen hig houses, including Homey, Lung Hsing (or Fortune Group) and Cheng Wei, which had just bought the Macao Jockey Club, were enormous.

mous. "There has been a political compromise over the big ones,"
said a senior banker. "If we
don't do it this way it would
have a very unfortunate
impact on the financial system.
The stock market might be
affected. The main problem is
protests from investors, many
of whom are military veterans

or retired government ser-

invested their entire retirement pay in the underground system. In addition, many investment companies are believed to have close links with ruling Kuomintang Party members. The chairman of Homey sits in the Legislative Yuan (parliament). If these companies were forced to sell their shares, the stock market could plummet and wipe out their assets, and the Govern-ment would be blamed.

We should have taken action in the early stages," said the banker. "It's unfortunate that we postponed this probiem until now. The companies are taking advantage of the election (in December). They think the Government will not take too drastic measures at

this time." The Government has taken action, but only against smaller houses. There were once thought to be 350 houses, but many collapsed or their founders absconded. At least 20 cases involving small companies have come to court in the past couple of months, according to Mr See-Ming Chen, director of monetary affairs at the Ministry of Finance.

"The hig ones can solve their own problems. Either they pay the money back, or they ask investors to join the group and become shareholders," he said. The houses are supposed to

ublish their assets and liabilities this month when the three-month freeze on withdrawals ends. Homey, which has already announced plans to turn all its depositors into shareholders, has said its NT\$65bn of deposits are more than covered by NT\$80bn in

Even if the other big houses'

The main problem has been protests from investors, many of whom are military veterans

figures do not balance, the Government hopes they will work out a compromise with depositors which would enable them to become regular companies, and thus controllable. It has been suggested that Cheng Wei will repay deposits with Club and the Fortune Group is apparently planning to build houses which it will offer in part exchange for the money it

The financial scandal could rne mancial scandal could yet blow up again. Its social cost is already great. There are stories of life savings lost, of old soldiers writing anguished letters to the Ministry of Finance, and of "dealers" — who were often housewives — becoming mentally distrement. becoming mentally distraught as friends begged for their money back after the doors of the underground houses had firmly closed.

Big pay-offs for rookie investors

STOCK MARKET

JOHN Li, 53, gave up his job at the airport 18 months ago to become a full-time investor in the Taipei stock market. Using a pool of nearly \$200,000 in savings, he has made a 50 per cent profit so far this year.

"I spend three hours in the market in the morning, and then I do three hours' homework," says Mr Li, who prefers not to reveal his real name. He plays the market in both directions. The previous day he had sold two thirds of his stock

"Autumn is the falling

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period," he explains. Mr Li is one of thousands of investors who have abandoned secure, well-paid jobs to take a gamble on a market that by western standards has gone

climbed from 1,000 to 10,000 in less than three years and the stock exchange puts the average price earnings ratio at a Japanese-style 52, with some food and financial stocks above 100. Estimates from foreign brokers are much higher, putting the prospective market p/e

controlled by families, the Government or big institutions.

days this year has exceeded all other world markets. On August 28, brokers watched in nent as more than \$40m worth of shares was traded every minute for the three hours the market was open. Total turnover that day was a **HOTEL MERIDIEN** record \$7.6bn. PRESIDENT BANGKOK

Foreigners have shied away

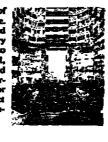
the market collapse by 40 per cent last autumn - when Ms Shirley Kuo, the Finance Minister, announced a capital gains tax - and then virtually double in the first five months of this year. Reflecting this overseas distrust, the four mutual funds through which foreigners may invest have been trading at a discount to net asset value.

Not that the Government is enthusiastic about opening the market to direct foreign investment at this stage. It has its hands full trying to control its own investors and to steer an over-abundance of cash into more productive channels. The task is becoming harder

as more and more small inves-



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TAIWAN'S ECONOMIC PROSPECTS

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Chinese culture blends with the **Ambassador** spirit.

starting early next year, is

itself weathering the storm. "We have refilled capacity with

added requirements from over-

seas," says Dr Wiemer. He argues that Taiwanese

computer makers are particu-

larly vulnerable to the current

downturn because they mainly

make consumer goods, a mar-ket that has softened apprecia-bly. Taiwan produced 10 per

cent of the world's personal computers last year.

Acer, meanwhile, has just

set up a \$250m joint venture in

Taiwan with Texas Instru-ments of the US to make

Dynamic Random Access Mem-

ory (D-Ram) chips, a poten-tially risky decision at a time

when the Japanese are drop-

ping plans to increase output

because of falling demand. Mr

Stan Shi, chairman, went into

the venture with his eyes open: "Taiwan needs a D-Ram indus-

try for the long term," he says.

carry the risk."

South Korea.

"If you need that, you have to

Mr Morris Chang, chairman

of the Industrial Technology

Research Institute, says

Taiwan is building enough capacity to become the world's

fourth producer of chips by

1992, behind Japan, the US and

A downturn could be a good

experience, he argues. "Some companies will be in trouble

Aided by a 'reverse brain drain'

ONCE decried as a nation of copy cat producers. Taiwan finds that the tables are turning as its high-technology industry advances into adult-

Microtek International a leading Taiwan-based producer of image scanners, has recently taken a small competitor to court. It alleges that Umax, founded by six former employees of Microtek, is making the same product at a nearby plant using techniques learned at

Mr T C Chiang, of the Lee and Li law firm who is handling the case for Microtek, says that know-how - tech-niques absorbed during the course of a product's development - cannot be protected by copyright law. "We want to establish a concept that intellectual property can be pro-tected by civil law, even if it is not patent or copyright," he

The case is currently pending with a district court and is peing closely watched by the Government, since it may set a significant precedent.

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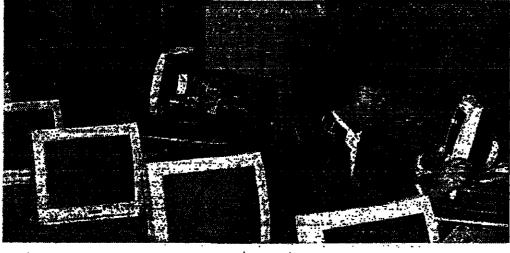
reeze on R

Microtek, whose sales bal-looned from \$6m in 1984 to \$36.8m in 1988, was one of the first companies to set up in Taiwan's pioneering high-tech science park, Hsinchu, in 1980. The park, about 70 km south-west of Taipei, now has 100 companies with 16,000 employees and is at the heart of the country's drive upmar-ket into sophisticated and

high-quality goods.
Steeply rising land and labour costs and an appreciating currency have made Taiwan's former staple of low cost production uncompetitive. "We have to keep moving ahead because our national goal is to become a developed country before 2000," says Dr Irving Ho, president of the government-sponsored Institute for Information Industry, who was the science park's first

The road ahead is steep. Taiwan's hardware output last year totalled \$5.2hm, while the software and service side produced only \$400m. Overcapa-city is helping push hardware prices down worldwide, while a severe shortage of expects in the software field is expected by the mid-1990s.

'If we develop ourselves into a leading software and systems



in the picture: Taiwan produced 10 per cent of the world's personal computers last year

good impact on computer application in the worldwide market, and everybody would

Companies in the science park now spend between 5 per cent and 10 per cent of their sales on research and develop-ment, compared with an average of 0.5 per cent in the manufacturing sector as a whole. Taiwan's mainly small and medium-sized businesses have

The industry has attracted overseas Chinese from the US and elsewhere

generally spent little on R&D. So the Government established the Industrial Technology Research Institute in 1973 to develop new ideas, or license them from abroad, and transfer the results to the private sec-

As the industry has grown, it has attracted a "reverse brain drain" of overseas Chinese, who have returned from the US and elsewhere. At first, local Taiwanese thought the industry too risky, but a series of successful stock market flotations by computer companies has spread the word that business can be hicrative.

Technology is still coming into Taiwan from abroad, but local companies are also exporting their own technology for the first time. Mitac Inter-national, a Hsinchu-based manufacturer of personal computers, announced last month that

plant technology for the manufacture of two of its existing PC models to an Indonesian company, Multipolar, which will pay it fees and royalties. The venture will enable

Mitac to spread its brand name, a growing preoccupation since only a handful of Taiwanese companies are familiar abroad, especially in the West. Acer, Taiwan's biggest computer manufacturer, has set up an association with four other groups to promote Taiwanese brand names in an effort to retain a competitive edge over south-east Asian producers. The Government would like to see an increase in brand name computers to 40 per cent of total output over the next four

years, from 20 per cent now.

Competition is becoming tougher in other ways, too. Microtek says its revenues are down this year, mainly because Hewlett-Packard of the US entered the market for scanners last year and the price of a colour scanner has plunged from \$3,900 to \$2,200. The worldwide downturn in the chip market is also hurting Taiwanese producers. Taiwan Semiconductor Manufacturing Company (TSMC), a joint venture between Philips of the Netherlands and the Taiwan Government, was set up in

1987 purely to make computer chips. Dr Klaus Wiemer, its president, says that 50 per cent and some may have to fold. But I think we will see a of their local market has disapdynamic growth period for the peared in about three months.
TSMC, which currently Taiwanese integrated circuit industry. Given a few years, the industry will adjust to a makes 12,000 chips a month and will have five times that

started making their mark around the world during the

past two or three years as manufacturers and investors. Their first target has been new sources of cheap manufactur-ing labour. But increasingly they are wanting to spread their wings and gain market-ing and technological expertise which is lacking at home.
"We want to get into the

boardrooms of foreign compaof information," says Mr Nel-son Chang, president of Chia Hein Coment Corporation.

The search for cheap labour, to make products such as shoes, toys and textiles, has made Taiwan the first or second largest new investor in the Philippines, Thailand, Mal-aysia and Indonesia. At the same time, foreign investment is continuing to

flow into Taiwan in record amounts. In the first eight months of this year inward investment totalled \$1.66bn, exceeding the previous full year highest total of \$1.42bn ached in 1987.

Taiwan's investments over-seas started because of rising domestic wage costs and because of rapid increases in

TAIWAN was recently chosen

by Imperial Chemical Indus-

about 50 per cent in the past

four years. Companies have also wanted to expand from their relatively small domestic market of 20m people and to dilute the political and labour risks of operating at home. The outflow of capital was substantially freed two years ago and this has driven companies to look for investments and takeovers in

the US and in Europe.
"We must establish footholds abroad now when there is so much surplus foreign exchange and then generate earnings for the day when the Taiwan economy has a downward trend," says Mr Chang. His company has diversified into textiles, property, computer software and financial services in Taiwan and is now pany acquisitions in the US and an African country.

In the first eight months of this year new investments abroad approved by the Taiwan government reached a record total of \$509m compared with \$153m in the same period last year. Mr Johnny Ni, director of the Ministry of

these figures under-state the

John Elliott on why businesses are increasingly investing abroad

He estimates that the total

value of new foreign projects backed by Taiwan investors (who often take old or new Taiwan plant with them) was nearer \$1.6bn in the first eight months of this year compared with \$1.4bn in the whole of last year. But Mr Ni casts doubt on mainland China's claim that Talwan business-men have implemented \$500m of investments indirectly

through Hong Kong.

Mr Ni's figures show that in
the first half of this year new Taiwan-backed investment totalled \$410m in Thailand, \$350m in Malaysia, \$130m in the Philippines and \$80m in Indonesia. He estimates the figure in the US at \$1bn in the first eight months.

The official government \$509m total for the first eight months include \$349m in the US and \$70m in Malaysia. The biggest industrial sector involved was chemicals at \$322m, followed by electronics and electrical appliances at \$87m and services at \$34m.

But Taiwan companies do not always find foreign excur-

and where the main opposition

alliance, the Democratic Pro-

ICI has a 60 per cent stake in

plastics company called

gressive Party, is strongest.

Corporate net spreads overseas TAIWAN'S businessmen have the value of the Taiwan dollar, Investment Centre says that over bids. "It will be some started making their mark which has appreciated by these figures under-state the years before Taiwan is really significant abroad because we don't have the necessary managerial depth," says Mr Doug-las Hsu, president of Far East Textile, one of Taiwan's largest and internationally most active groups which is planning investments eventually totalling \$200m in Filsyn, a recently acquired Philippines

fibre company. Taiwan has also found it difficult to negotiate special arrangements with the many countries that do not recognise it diplomatically because of international pressure exerted agree a double tax treaty only with Singapore, one of several countries with which it has so far failed to reach an invest-ment protection agreement.

Mr Ni shows some impatience with such countries. including the Philippines, where he says Taiwan has overtaken the US as the large est foreign investor but cannot obtain tax and investor agree-ments. "These countries need jobs for their people and to develop their economies. So they must find a solution or big investments will not mate rialise for them."

Imperial Chemical Industries

Prize investment

tries in preference to countries such as South Korea, the Philippines and mainland China for a \$300m fibre project which is the UK-based group's biggest the product – purified tere-phthalic acid (TPA) – and Talwan provides a stable envi-ronment for foreign investsingle investment anywhere in At a time when Taiwan's ment," says Mr John Chandler, ICI's local director. "It is one of

wages and land costs are rising sharply, and when there are also increasing labour, trade union, environmental and other problems, that might seem a curious decision on a highly mobile project.

But ICI, which does not recognise unions in its Taiwan

plants and has not suffered labour problems with its 600 employees, appears to have no doubts about its decision. There do not even appear to have been doubts following environmental pollution protests which forced it to to shut an existing joint venture plastics plant in the south of the island shortly after it announced the new venture.

grade, though expensive, work-force available." But, Mr Chandler cautions. "if you want cheap labour or have a high pollution factor do not come to Taiwan. It must be

capital intensive and be a pro-cess which will not bring heavy pollution." ICI's problems started after the new project was announced in July. They illus-trate the social awareness and

Kaohsiung Monomer, which annually produces 85,000 the few places where you can have 100 per cent foreign own-ership, and there is a high tonnes of an acrylic intermediate known as MMA. Fishermen complained that a shipping

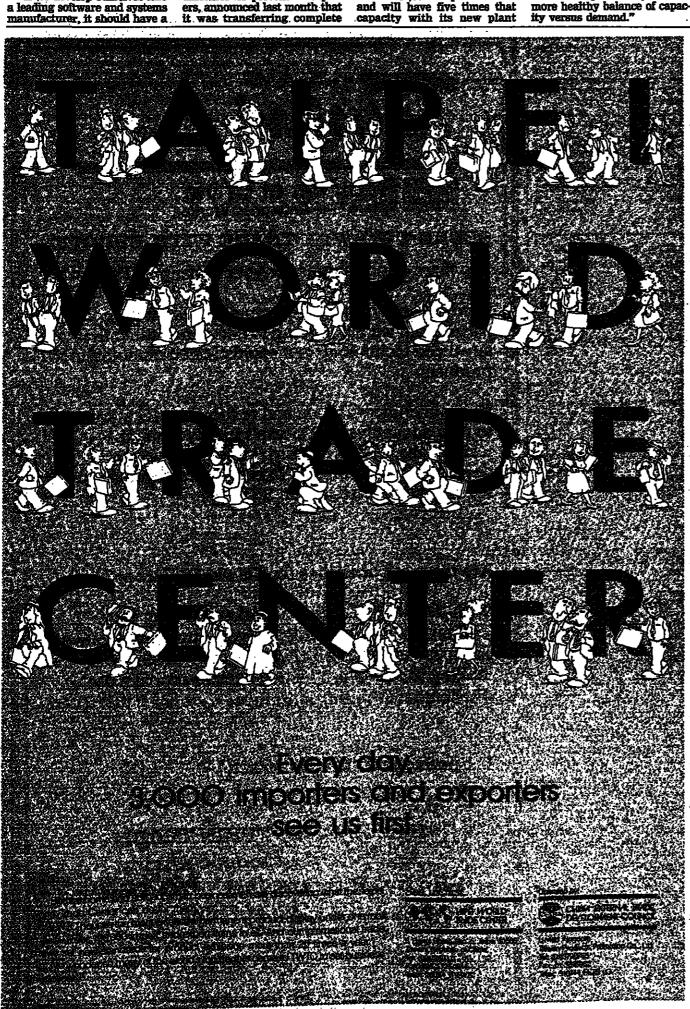
subcontractor was dumping waste acid near the coast instead of taking it 20-25 miles out to sea. ICI could not deny the accusation but has refused to accept a NT\$900m (about £24m)

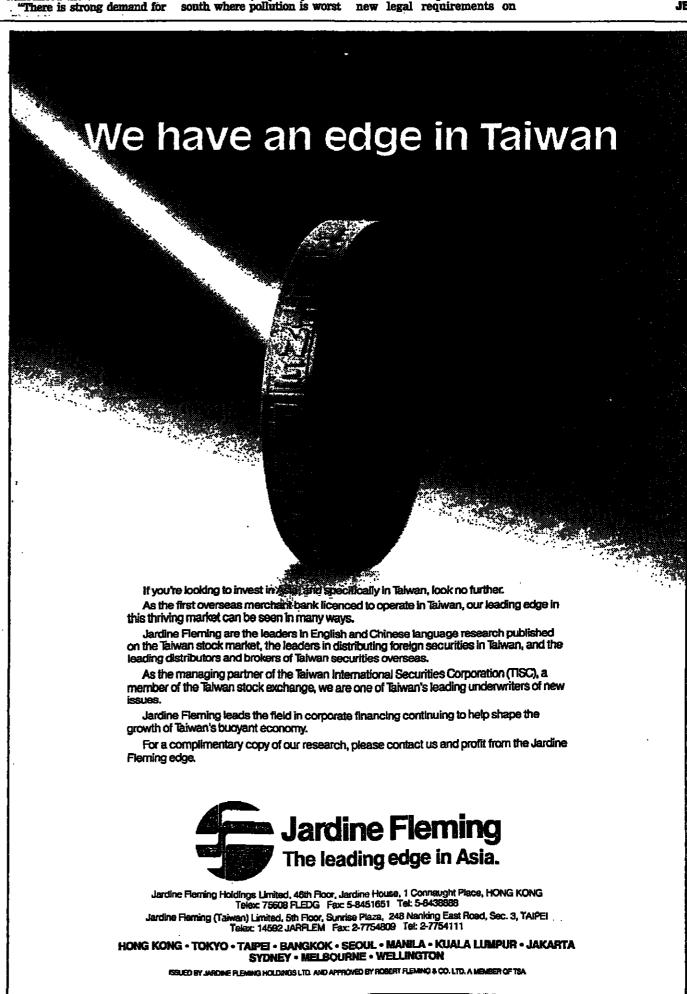
claim from the fishermen. It is trying to reach a settlement with the government's Envi-ronmental Protection Administration and has offered to political sensitivity of environimprove its monitoring of submental issues, especially in the south where pollution is worst contractors' ships and to meet new legal requirements on

reduced acidity neutralisation before the dumping. Before the protests, it had started spending \$50m on

equipment which would depose of the surplus acid and end the dumping at sea. This forms part of a \$100m expansion to double output at Kaohs inng Monomer, which is 40 per cent owned by China Petrochemical Development Corporation, a Taiwan government

ICI has been in Taiwan for 41 years. It was involved only in trading until 10 years ago when it started production, including two joint ventures -Kaohsiung Monomer and Atlas Taiwan which make explosives. Its annual turnover is \$200m, 60 per cent imported sales and 40 per cent local manufacture. Mr Chandler expects this to triple by 1992 when the new TPA plant will be operating and the doubling of output at Kaohsiung Mono-mer should be completed.





Green factor enters centre stage in run-up to election

ONE of the striking sights on the road into Taipei from the airport is the motorway toll booth attendants wearing surgical masks over their mouths

and noses. The reason is that traffic is so heavy on the overloaded motorway that it often grinds to a virtual halt and the air is thick with poisonous exhaust fumes. In Taipei, too, some of the hundreds of thousands of motorcyclists wear masks as they ride about in clouds of smoke.

Pollution has become a top public concern and the opposi-tion Democratic Progressive Party (DPP) is making it a priority in the big cities for elec-tions on December 2.

"The main issue is that Taiwan is one of the most pol-luted places on earth," says Mr Tsai Shih-Yuan, DPP deputy secretary general. "Since the late 1960s we ignored all the issues about pollution... part of the reason for our successful export business is that we have a lot of polluting industries and they haven't had to pay for the cost of pollution."

With 546.5 people per square kilometre, Taiwan has the second highest population density in the world. Its 20m increas-ingly affluent citizens drive 10m cars and motorbikes, giving a motor vehicle density double that of Japan and 15 times that of the US. In June alone, more than 34,000 new cars and 153,000 motorbikes came onto the roads.

There are roughly 87,000 fac-tories of every shape and size along the 340 km highway that links the north of the island with the south. Many use toxic substances which have been allowed to leak into the water and soil during years of envi-

and son during years to environmental neglect.

Oysters raised in Taiwan contain rising amounts of heavy metals, while serious levels of cadmium, chromium, zinc, copper and lead have been discovered in archie land been discovered in arable land near factories and waste

There is only a minuscule amount of primary sewage treatment and the health risks are exacerbated by Taiwan's 7m pigs, which produce up to six times the excrement of a



Masked rider: Motorcyclists in Tapel are now forced to protect themselves against pollution

"Facilities to protect humans and nature from the toxic, mutagenic, carcinogenic, unsanitary and generally dirty and unpleasant consequences of industry are at best primi-tive," said a report published earlier this year by the Academia Sinica group of professors and researchers.

The report pointed out that public protests about pollution had become more common and

'In general the public knows too little to act as responsible participants in the process of maintaining a healthy environment

"The public knows enough to become alarmed, but in general knows too little to act as responsible participants in the process of maintaining a nealthy environment."

In October last year there was a potential accident when residents of the southern industrial district of Lin Yuan laid siege to 18 petrochemical

plants which they said were discharging waste water that polluted their fishing grounds. The demonstrators are reported to have tried to close valves and shut off pipes and to have been stopped only by bodily intervention by plant

employees.
A spate of environmental protests like this have triggered increasingly large demands for compensation, which companies were at first willing to pay. As the amounts grew, so did accusations that some protestors were not genu-ine plaintiffs but were jumping on a lucrative bandwagon.

The Government now discourages direct compensation payments. But it has taken the growing unease about pollution on board and admits the problem is huge. Mr Shih-Chien Yang, director general of the Industrial Development Bureau, reckons it will take five years to sort out the country's industrial pollution and says there is a shortage of environmental control experts. To co-ordinate the clean-up, the Government established an Environmental Protection Administration two years ago. The EPA has a committed young staff of 320 at its Taipei officers to check on polluting factories, and a long list of practical and educational plans such as the Blue Sky and

Clean River projects.

With a budget this year of more than \$500m and plans for the public and private sectors to spend up to \$40bn on the environment by 2000, the EPA's head, Dr Eugene Chien, argues that the Government has made a U-turn in the past two years. "Things were deteriorating before, now we're going upwards," he says. The EPA is seeking help

from foreign companies that specialise in waste manage-ment and pollution control. For example, a \$193m project to build three huge rubbish incinerators for the cities of Taipei and Kaohsiung is being planned and supervised by the West German group Fichtner.

Some westerners see Dr Chien as a crusader, locked in battle with entrenched political and business interests. Whether he wins is still an open question. As one western observer put it: "The Govern-ment is walking a tightrope, wanting to appear very aggressive and at the same time not to irritate powerful forces."

John Elliott on the trade unions since the lifting of martial law

A watershed in labour relations

FORD Motor's Taiwan company recently sent its trade union officials to Mazda's plant in Japan to learn co-operative ways of conducting labour relations. Meanwhile, Taiwan's emerging opposition is trying to politicise labour troubles, which could exacerbate conflicts.

This illustrates how Taiwan's infant trade unions and labour relations are at a watershed following the ending of martial law. The question is whether workers will concentrate on boosting their own wealth in a booming economy, or will they change their work ethic and combine in collective

"If you want me to make a choice between western and Japanese style labour rela-tions, then because of our philosophies and our culture, I say that we prefer the Japanese style," says Mr Shon-Po Chao, chairman (with Minister of State rank) of the Council of Labour Affairs.
"Compared with South

Korea we have no union prob-

THE Government can no

longer play the old role of a

great patriarch, telling you: this you can do and that you cannot do and if you do this I

am going to crack down," says Dr Fredrick Chlen, a distin-guished 54-year-old diplomat who is now chairman of the

Council of Economic Planning

and Development.
"I think the most wurrisome

thing is that we have had polit-

ical democratisation, economic

liberalisation and the social opening up, all coming to a confluence in a very brief

period of two years. Therefore people are really enjoying this new found freedom and every-

body would like to practice it

to the maximum. That is what

The country's work ethic has been put at risk and the hith-erto almost unquestioned

successfully challenged.

Sometimes tipped as a possible future prime minister, Mr

Chien was Taiwan's de facto ambassador in the US for five

ambassador in the US for five years from 1983. He was born into a distinguished Shanghai family and is one of a younger generation of mainlanders who have achieved influential government posts in the past couple of years.

The Government should learn that it is

not omnipotent. It cannot interfere too much. The people will

not tolerate it'

"The Government cannot exert its old role. It cannot

interfere too much. The people will not tolerate it," he said, referring to at least two occa-sions when the Government

has been forced by public pro-test to back down on policy

decisions.

One happened a year ago when Ms Shirley Kuo, Finance Minister, imposed a tax on stock exchange dealings to try to dampen the market and was forced by speculators' protests to water down her plans.

"The Government simply should learn that it is not omnipotent, and the people should learn that too. If you want to have a democratic society you cannot have double standards."

Reflecting concern about possible student unrest, Mr Chien said that the Govern-

Chien said that the Government should urge educational institutions "to help the students exercise more self-control, to live and let live."

That kind of ethical approach should be popularised. "In other words try to discourage people from being overly egocentric." The Government should also provide better law and order enforcement to counter a rising crime

ment to counter a rising crime rate.
Mr Chien said that Taiwan's were "not

labour problems were "not indigenous." Many "outsiders" from the US, Ireland and else-

where had "come to lecture us." The international trade union movement had been

very active.
"We have the traditional

"We have the traditional Chinese working ethic that employers treat employees as members of the family and it is reciprocated." Now a trade union movement was being imported, just as had happened in Japan. It would "take some time to achieve mutual respect and mutual releasance."

and mutual tolerance.

ple of years.

Profile: Dr Fredrick Chien

Plea for mutual

tolerance

lems. We have none of Korea's huge hostility between labour and management, although the political parties are there at every strike," says Mr Nelson Chang, president of Chila Hsin Cement. "At present employees here in the present at the present employees." ees' bargaining strength stems from shortage of labour rather than militancy."

There is a serious scarcity of

The question is whether workers will concentrate on boosting their own wealth or combine in collective militancy

labour, especially on construc-tion sites. But the Government is resisting demands for widespread import of workers because of the risk of social tension. There are already an estimated 20,000 illegal workers from elsewhere in Asia. Mr Chao's council has prepared guidelines for selective impor-tation of people to work on specific construction projects, staying for not more than one

staying for not more than one or two years.

No one is sure which way the country's labour relations will now develop. Optimistic employers argue that after a rash of strikes which followed the lifting of martial law two years ago, employers and employees have settled down to more constructive relationto more constructive relationships. This argument suggests that the traditional work ethic

will curb militancy.
Others argue that the work ethic has already started to deteriorate and that there will be an inevitable build-up of trade union power, despite Taiwan's tradition of small companies and Confucian respect for authority and rela-

Out of 8m people in employment, only 2.4m are in trade unions, which have been seen basically as constructive bridges between employers and employees, dominated by KMT-appointed leaders. The unions are mostly in-house, plus some external craft-based organisations. Many are linked to industrial and geographical union federations which have no real power. Only a fraction of the unionised total are so far covered by collective bargain-ing agreements, although the Council of Labour is now encouraging employers to introduce them.

For many years employers have only been required by law to take account of their employees' welfare. This has centred on profit sharing -mainly paid in February or March as a Chinese New Year bonus. When strikes were permitted with the lifting of mar-tial law, these bonuses became the focal point for industrial

Ford's factory - a 70 per cent Ford-owned manufacturing and importing joint ven-ture called Ford Lio Ho - paid three months' bonus this year after a three-day strike called in support of a claim for 10 months' bonus. The three months amounts to 5 per cent of profits and this has now been included in the company's first collective agreement as a fixed percentage for the future. Ford also pays a two-month year-end bonus and a 24-day attendance bonus which brings the pay of the compa-ny's 2,500 hourly paid workers up to the equivalent of about 18 months salary a year at an average rate of T\$19,000 a

month.

Such high bonuses are not unusual. Far East Textile, a major Taiwan group which has faced union troubles and has been averaging between 15 per cent and 20 per cent wage increases for several years, paid 190 days bonus in one

The new labour laws wili provide a framework of legislation which Taiwan needs as its economy develops

plant last year after a one-day strike. This year it paid 165 days and Mr Douglas Hsu, the president, says the group aver-age is 130-140 days.

The other main source of trouble has been disputes over employees' rights and employment conditions, especially on issues like severance pay. In many cases the disputes have been caused by conflicting interpretations of the Labour Standards Law which lays down minimum conditions and covers seven industries such as manufacturing, construction, agriculture and transport with about 3.5m workers.

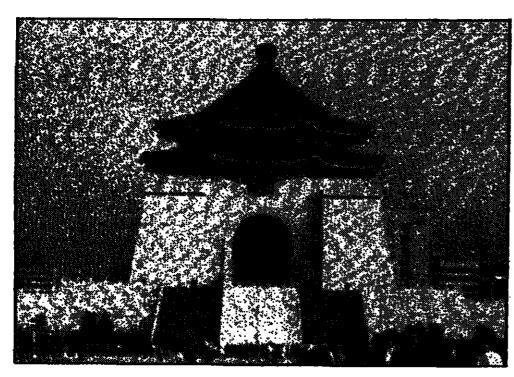
Labour activists want the range of industries expanded. But employers say the law is already unfairly tilted against them and, backed by the Minis-try of Economic Affairs, they are opposing any expansion. Revisions have been prepared by the Council of Labour. These are partly aimed at clarifying points which have caused disputes and at introducing

flexibility.

A revision of the Labour Union Law, which governs disputes and was last changed in 1975, is also being prepared. This will introduce the US con-cepts of unfair labour practices and private mediation and arbitration, plus restrictions on strikes affecting the public. It will cancel compulsory union membership where unions exist, and will give general guidance on the conduct of

strikes.

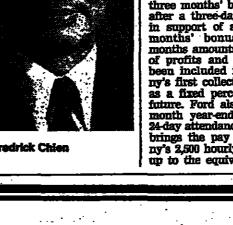
These laws could be highly contentious, but they will pro-vide a framework of labour legislation which the country urgently needs as its economy



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worries me. But I hope this will be temporary," he said. Mr Chien was reflecting on problems created by Taiwan's recent massive changes which have lead to rampant gambl-ing, especially on the stock

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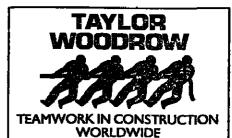
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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday October 10 1989



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Building success in the shadows



Until now, Colonia Versi-charung, West Germany's second-biggest Insurer has - like most of its smaller counterparts - lived in the shadow of Allianz. Europe's biggest insurance company. It has been content to remain an amalgam of medi-um-sized companies that specialise in their own

fields, a policy that has paid off, claims chief executive Dieter Wendelstadt (left). But what will happen in the wake of the takeover by Groupe Victoire of France? Haig Simonian reports. Page 22

New path to protection

It has long been realised that the crisis in British farming stands to have positive effects on the British countryside. Now, in direct response to this and the upsurge in environmental consciousness, the Country Landowners' Association is planning to speed up that process with proposals to ensure that streams are kept clear of pollutants, fields neatly hedged and footpaths properly maintained through farmers entering into contracts with their local councils. Bridget Bloom looks at the idea that the association will put to Mr Raymond MacSharry, European Community Agri-culture Commissioner, in Brussels next month.

Working up a head of steam



Used napples, potato peelings, last weekend's newspapers and uneaten food. All can be used to fire steam-producing boilers and play a part in a process being hailed as an ideal way to create energy and dispose of rubbish at the same time. However, some horrified observers see it as a recipe for environmental disaster. Peter Knight reports. Page 35

Finely balanced -

An ebullient US stock market, propelled by encouraging economic news and an Irrepressible dollar, could do no more than counterbalance the depressing effect of Japan's currency inspired slide. As a result, with the US rising 2.8 per cent over the week and Japan falling 2.4 per cent, the FT-Actuaries World

Brazil's strange beast



A state-owned company run by military officers and operating in a com-petitive, high-technology ector, Brazil's Embraer is certainly a strange beast. The civil and aviation company has in its 20-year history achieved

a number of successes, including the sale of its Tucano trainer (above) to the RAF, but it has lately run into money problems. John Barham reports. Page 23

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Eurotunnel confident amid cost problems

By Andrew Taylor in London and George Graham in Paris

Anglo-French channel tunnel group, yesterday mounted a robust defence of its handling of the crisis it is facing as a result of rapidly rising construction

Despite the announcement of increased revenue forecasts and better tunnelling rates recently, Eurotunnel's share price fell a further 40p to 528p yesterday. The group said breakthrough on the first of three tunnels being

built would occur "one year from now" - allowing people to walk between Britain and France for the first time since the Ice Age.

The group also denied that it was embroiled in a row with its contractors over increased costs. Mr Alastair Morton, British joint chairman, said: "The momentum and physical progress on the project is now massive and pretty impressive and very

"There is no row, brawl or any such word going on. What there is going on is a strong difference of contract of the strong of th of commercial opinion.

By teaming up with Britain's Standard Chartered Bank, West-deutsche Landesbank (WestLB),

West Germany's fourth biggest bank and its biggest public sector financial institution, has estab-

lished itself as the decisive force in the long-awaited restructuring of Germany's public sector bank-

But last week's announcement, in which WestLB said it had

agreed both to buy the UK bank's

European branch network and set up a joint merchant bank, is little more than a partial solution

to the deeper problems facing Germany's public sector banks. The deal should boost

WestLB's growing international and merchant banking presence,

under way. But it does lit-

tle to tackle

problem con-

fronting Ger-

many's public

sector savings banks and the

Landesbanken. which they

own jointly with the

regional state

For WestLB.

and all the 10

other Landes-

banken, will

remain at a

decisive disadvantage to

their private-sector rivals,

until they can gain better

access to cheap

retail deposits and establish a

stronger corpo-

According to

the deal, the two banks will

combine their

merchant banking and

corporate

finance activi-

ties in a new

governments.

prime

announced that the cost of building the tunnel would be at least £2bn (\$3.14bn) more than originally forecast. Contractors and technical advisers to banks which have agreed to provide the group with £5bn in loans and standby credits say costs could be another £500m to £1bn higher than Eurotunnel's latest forecast. Contractors have made claims for about £750m in higher payments, which Eurotunnel is disputing.

Mr Morton and Mr André Bén-ard, his French co-chairman, defended Eurotunnel's position at yesterday's press conferences in London and Paris to publicise its interim results for the six months to the end of June. Mr Bénard said the physical

progress of the tunnel was satisfactory, but admitted that relations with the contractors were

Eurotunnel was currently talking about raising between Libn and £1.5bn early next year. Mr Tony Ridley, project man-aging director, said contractors

Standard-bearing WestLB

grabs the political initiative

Haig Simonian explains how the group has sought to take the lead in

operation that a publicly-owned bank such as WestLB can envis-

age with a private sector institu-tion such as Standard Chartered. By teaming up with the Ger-mans, Standard Chartered will

gain a useful extra slice of Tier 1 capital and transfer much of its

loss-making European business to an institution which thinks it

can do it better. The bank will

also improve its access to the

export-oriented German market

- a lucrative source of business to a multinational bank specialis-

ing in trade finance.
There are obviously advan-

the restructuring of West Germany's public-sector banking system

Last week, Eurotunnel had made substantial progress digging the central service tunnel during the last six weeks. A record 445 metres had been achieved last week. Breakthrough on the service tunnel

was expected one year from now.

Mr Ridley said French tunnellers digging the main running tunnels were between eight and 13 weeks ahead of schedule, while the British were eight to 12 weeks behind schedule. Eurotunnel has also modified

its traffic forecasts. These now show a smaller amount of rail passengers and bulk freight using the tunnel during the years following the opening in 1993, but a larger number of cars, lorries and coaches being carried through the tunnel on shuttle trains operated by Eurotunnel.

The net effect is that revenue is unchanged in the early years, but rises sharply by 2003 com-

pared with previous forecasts as rail traffic increases following the completion of high-speed

interest rates has flattened in the

past two years, this business of

maturity transformation on which it is heavily dependent, has become much less profitable

and earnings have slipped.

Partial group operating profits
fell by 15 per cent to DM706m in
1988 and recorded a 29 per cent

drop to DM277m at parent bank

level at the interim stage this

WestLB has been more succes

ful than some of its public-sector

counterparts in overcoming its difficulties by investing heavily

in new lines of fee-earning busi-

ness, like corporate finance, to reduce its dependence on the vagaries of German interest rates. But it still lacks the privileged corporate healing relation.

for lucrative

corporate

finance hasi-

ness with one

hand tied behind its

The decision

to join forces with the UK

bank could

hardly have

come at a more

sensitive time

for Germany's

public-sector

banks, which

are at long last

trying to get to grips with some of the

problems they face. According to

a report com-

the German

Savings Banks

Association

from McKin-sey, the man-

agement con-sultants, the Landesbanken

should team

up in a new

institution

which would

back.



I see no ships: Alastair Morton presenting Eurotunnel's interim figures in London yesterday.

ICI in \$450m sale to Merck venture

By Peter Marsh in London

IMPERIAL Chemical Industries is to sell its US non-prescription drug business to a joint venture between Merck and Johnson & Johnson, two hig US pharmaceu-ticals companies. The deal is

worth more than \$450m.

The transaction, announced yesterday, will be effected partly by a cash payment, believed to be between \$350m and \$400m. ICI, Britain's biggest chemicals

company, is also receiving the rights to sell in the US a prescription-only drug developed by Merck for relieving depression, a field which the UK company is anxious to move into.

The agreement is part of the

recent restructuring in the world's \$120bn.a-year drugs industry. Recently, several large pharmaceutical companies have merged, while others have shed oarts of their busine centrate on what they consider to be more profitable are

Merck, the world's biggest drugs company, formed its joint venture with Johnson & Johns on over-the-counter (OTC) medicines in March this year as a way of diversifying away from the

prescription-only business.
OTC products, which do not need a doctor's prescription, can be bought in a variety of retail

outlets and are generally thought to have good growth prospects, even though margins are lower than on many prescription drugs. Johnson & Johnson is one of

the leaders in the US non-pre-

scription medicines market, which is worth about \$10bn a year and is expanding rapidly. The company is working with Merck to produce variations on a number of Merck prescriptiononly formulations to make them

suitable for retail sales.
Under the deal announced yesterday, the Merck/Johnson & Johnson venture will take over 19. The management fee on the responsibility for selling OTC fund is 1.25 per cent per annum, products which ICI markets in the US under the Stuart brand arrangement fee of \$180,000 in name. These products, with sales of about \$125m last year, include Mylanta and Mylicon — medicines for relieving mild stomach

The joint venture will also take over an ICI drug production unit in Pasadena, California. As part of the agreement, ICI receive the rights to sell in

the US a Merck anti-depressant product called Elavil, which has US sales of about \$30m a year. ICI, which is about 20th in the world drug industry sales league, had pharmaceutical revenues last

Shares in Singapore investment fund to be placed today

By Nikki Tait in London

investment company, the Singa-pore SESDAQ Fund, specialising in investments in Singapore's second-tier market are due to be placed today.

The fund is Jersey-based and will be managed by John Govett. It will invest primarily in the 14 companies which make up the SESDAQ (Stock Exchange of Singapore Dealing and Auto-mated Quotation market), but also in unquoted companies which the managers think will be coming to the market. In addition, the fund can consider investments in securities which have moved up from a SESDAQ listing to the main Singapore market.

The total market capitalisation of the SEQDAQ, which was effectively launched in early 1987 is just under \$800 million.

The company is offering 3m shares and 600,000 warrants for subscription, in units of five shares and one warrant. The offer price is \$10.50 per share, of which \$0.50 will go on underwriting and placing commissions.
Issue and other initial expenses amount to some \$500,000, leaving a net \$29.5m to be invested. Each warrant entitles the holder to subscribe for one share at \$10.50 between the end of March 1990 and the end of October 1992.

Govett Oriental, one of the investment trusts in the John to take 25 per cent of the issue. There is also an option arrange-ment under which Govett Oriental has agreed to amass a portfolio of up to \$15m-worth of Singapore securities which John Govett and the new fund's brokers, Hoare Govett, can then purchase. The purchase price would be the initial cost to Govett Oriental, its carrying costs plus com-

mission of 2 per cent.

Dealings in the shares of the fund are due to start on October respect of "services towards the sponsorship of the company." The new company is the latest

in a number of investment funds to be launched in London, spe cialising in the stock markets of South East Asia. These have included the Thornton Emerging Markets Investment Trust and, more recently, the Drayton Asia Trust - both of which raised about 2100m. The SESDAQ market effec-

tively came into existance in February 1987. It is established under the auspices of the main Stock Exchange of Singapore.

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tages for the Germans too. Although the public-sector Landesbanken are powerful forces in part of their home market — especially in the fixed-income seat in any negotiations on a reorganisation of the public sec-tor Landesbanken which is now securities business - all have ships enjoyed by some of the lagged in foreign expansion and in fee-related businesses like mercountry's biggest private-sector banks, and so it is having to fight

Standard Chartered 740 22 * Branches 28,000 **Employees** £23.7bn Total assets DM166bn (£56bn) DM161m (254m) Publicly-quoted company State government of North Phine savings bank organisations * includes rep. offi

Friedei Neuber, chief executive of WestLB

comprising Standard Chartered Merchant Bank and WestLB's existing corporate finance activities based in Düsseldorf, but now spreading to Frankfurt and Lon-

WestLB is also buying Standard Chartered's European branch network, employing some 550 staff in 10 countries, but excluding its operations in Switzerland and in Frankfurt. The German bank will also gain access to the UK bank's worldwide network, covering some 740 branches, with the emphasis in Africa and Asia.

Like the co-operation between Royal Bank of Scotland and Banco Santander of Spain, the deal is a further indication of the mounting interest among European banks in forming cross-border alliances in anticipation of the single market after 1992.
This is a trend which is particularly pronounced in medium-sized banks, like WestLB and

Standard, which lack the resources to go it alone.

Whether the WestLB/Standard Chartered decision is the right solution to either bank's longerterm problems remains far from clear, not least because there are obvious limits to the range of co-

chant banking. The deal will in a number of ways. It will improve WestLB's access to Lon-don, where the merchant banking business in particular is more developed than in Germany.

WestLB's problems are particu-larly marked. Rather than having access to cheap customer deposits – a business reserved for

Moreover, by pooling resources with Standard Chartered's mer-

chant bank, WestLB's corporate financiers will be able to leapfrog Frankfurt, where the bank tried, and failed, to merge with Hes-

sische Landesbank, a smaller but better located Landesbank, last But even when the agreement is completed Standard Chartered

will still lack an adequate UK business base and WestLB will have done little to escape from its own narrow base in its home market. The result is that both banks remain unusually vulnerable to developments outside their

savings banks in Germany's public-sector banking system - it has to fund itself in the wholesale money markets. But as the difference between

short and long-term German

resources and of scale. How matters will now develop following WestLB's bombshell is now much less certain, however. For some observers, the bank's pre-emptive move has torpedoed what little chance the McKinsey plan had of trigger-

ing far-reaching changes. WestLB puts a different gloss on matters. It claims that the link with Standard Chartered is precisely in line with what the consultants ordered. Co-operating in merchant

banking will accelerate the public-sector banks' drive to become more competitive in fee-earning business; buying Standard Chartered's European network will provide the basis for foreign expansion ahead of 1992; while the right to use its worldwide network will overcome exactly the weakness in overseas business the consultants pinpointed

But the WestLB/Standard Chartered initiative also runs the risk of adding to the confusion among the public sector banks about the direction restructuring should take. Hence in the end it may only only postpone some of the difficult decisions that still have to be taken.

INTERNATIONAL COMPANIES AND FINANCE

Euro Disneyland issue meets huge French demand

By George Graham in Paris

THE flotation of Euro Disneyland, the leisure park under construction near Paris, opened to overwhelming demand yesterday, the first day for subscriptions in

Bankers handling the issue said the shares allotted to France - half of the FFr3.1bn (\$483.6m) offering - had been several times oversubscribed

already yesterday.

A number of branches of Banque Nationale de Paris, colead manager with Banque Indosuez, were already refusing in the morning to accept further orders from customers, saying they had used up their allocations. Several stockbrokers also said they had been unable to obtain any Euro Disneyland paper.

The offering has not yet been formally closed, but it appears likely that any orders placed from now on will have only slim chances of success.

In France, Euro Disneyland has chosen the method of "public subscription," rather than the "offer for sale" format generally used for large flotations, such as privatisations or the recent offering of Yves Saint Laurent, the fashion

house. Under the public subscription system shares are allocated to a pool of banks and each bank may then redistribute them as it sees fit.

With an offer for sale, all orders are centralised and then scaled down, if necessary, by a uniform percentage.

The balance of the shares

are being sold elsewhere in the European Community, with the UK absorbing about 25 per cent. S.G. Warburg Securities, the London securities house which is lead manager of the international tranche, yesterday reported strong demand for the shares across

Accor sees good year as interim profits leap 40%

By William Dawkins in Paris

eighth-largest hotel group, yesterday produced a 40.2 per cent rise in net profits for the first half of the year and confirmed that 1989 profits were expected to rise by 22.5 per cent to FFr575m (\$89.7m).

The company's net profit climbed to FFr220.6m from FFr157.3m on turnover up from FFr6.35bn to FFr7.17bn. After-tax profit was struck before a steep fall in excep-

tional profits from FFr45.9m to FFr12.9m. Accor operates 773 hotels in 53 countries, including the Sofitel. Novotel, Ibis, Mercure and Formule I chains. It opened 74 establishments in the first half of 1989 and expects the total to

by year-end. Its restaurant chains include l'Arche in France, Meda's in Spain and Pizza DelArte in both countries.

reach 800, with 90,000 rooms,

The group, 10 per cent owned by Société Générale de Belgique, the Belgian holding company, attributed the profits improvement to good perfor-mances from its European hotels, its French and Spanish motorway and shopping centre restaurants and its luncheon

voucher business. Accor is the world's leading provider of luncheon vouchers, under its Ticket Restaurant brand, The number of voucher holders rose 22 per cent, by 653,000 to 3.8m.

• Elf Aquitaine, the big French oil group, plans to reorganise its oil and gas activities by grouping three divisions into a single unit. The new hydrocarbon division would combine exploration and pro-duction, refining and marketing and international trading and maritime transport activi-

Belgium introduces new rules on takeovers

By Tim Dickson

THE shock waves from Mr Carlo De Benedetti's bold but unsuccessful bid for Société Générale de Belgique, the country's biggest holding com-pany, have been felt again in Belgium, with the Cabinet's approval of new rules govern-ing company takeovers. Known affectionately as the

"De Benedetti law," it lays ground rules for companies that launch takeovers and sets limits on the tactics target companies can employ to

The rules follow earlier leg-islation introduced in July sti-pulating that shareholdings of 5 per cent or more be made public.

The most important of the new changes ensures that bid-ding companies make an offer for all outstanding shares of publicly quoted companies, thereby ruling out the sort of partial offer made by the Italian businessman at the height of the battle for La Générale.

Unlike some countries, however, Belgium is not insisting that bids have to be triggered when a major shareholder exceeds a specific share Full details of the text, which has been inspired to some extent by British take-over rules and which follows

closely the proposed European Community directive, has yet to be fully assessed by stock-One said yesterday, for example, that while it was clear that bids could be resisted by issuing shares to friendly parties within certain constraints, the impact of the

new rules on existing "poision

pills" was less certain. Asked whether the new law would affect the pace of takeover activity, he replied: "I don't think it will make much difference. The new rules are important and will make things a bit more difficult, but there are always ways of get-ting round the law in Bel-

 Cobepa, the Belgian holding company of France's Paribas group, said consolidated net profit jumped by 88 per cent to BFr3.13bn (\$78.6m) in the first half of 1989.

Colonia ready to attack foreign markets

Haig Simonian on the way forward for Germany's second-biggest insurance group

istening to Mr Dieter in if we do it as independent with white with the says.

Journal of the says in tive of Colonia Versicherung, the West German insurer, it is hard to understand why the stock market added more than a third to the company's value within hours of its takeover by total premiums, followed by liability with just under 25 per Groupe Victoire, its French counterpart, being announced. Mr Wendelstadt, a north Ger-

man with a chemicals industry background who has run Colonia since 1973, has grounds to be cautious. Formal contracts between the two companies have only just been signed and the real brainstorm-ing over who does what within the more important.

the company has barely begun. But the stock market may still be underestimating Colonia's hidden value – estimates for the price Victoire paid range from DM1,800 to DM3,000

range from DMI_800 to DM3_000 a share, against the DMI_2/5 they were trading at yesterday. Although Colonia is Germany's second-biggest insurer, with total premiums of about DM8_2bn (\$4.3bn) if non-consolidated subsidiaries such as Noveletarn Allegameire Versi Nordstern Allgemeine Versi-cherung and Kölnische Rückversicherung (Cologne Re) are

versicherung (Cononie Ne) are included, the group falls under the shadow of Allianz, Europe's biggest insurer. But Mr Wendelstadt says Colonia's policy of remaining an amalgam of middle-sized companies has paid off. By letting each member retain its own identity, the group as a whole has gained a bigger slice of the cake. "We can do more in the different markets we are

strong transport business and art insurance, while Colonia itself specialises in general lines. Motor insurance accounts for 33 per cent of its strong transport busine

Specialisation is most evident at Cologue Re, where the peculiar nature of the reinsurance business, with pre-miums coming exclusively from primary insurers, makes the stress on independence all

Financially, the strategy appears to have paid off. Net profits at the general, life and re-insurance operations have all risen steadily in the past three years. But whether matters will change radically under French control is a subject Mr Wendelstadt appears reluctant to address.

"My job is to run a com-pany," he insists. But his tone suggests the subject — or at least the way it is treated in the German press - remains touchy for an otherwise sober

n contemplating the future, Mr Wendelstadt is I reassured by the close informal links that have existed between Colonia and Victoire. For the past 16 years he has been the chief agent for Victoire in Germany, while his now-retired counterpart at Victoire, Mr Michel Marchal, per-formed the same function on



Dieter Wendelstadt: Whoever has the majority has the say

behalf of Colonia in France. It is clear integration will be lengthy and joint committees have been formed to assess the best options. Mr Wendelstadt and Mr Claas Kleyboldt, chief executive of Nordstern, will join the board of the new Dutch holding company being established, while an unspecif-ied number of Victoire designates will be appointed to the Colonia board.

While the German group clearly believes it will be left a free hand in running its busi-ness, there are already some clear areas for co-operation, with international business the most obvious.

While Victoire has a marked domestic leaning, Colonia is relatively strong outside Ger-many. About DM520m of the DM2.39bn total premiums at Colonia Versicherung alone were generated outside Ger-many last year. Mr Wendelstadt expects the

strongest benefits to come in new foreign ventures, rather than from tampering with existing operations. "I prefer that we think about new things," he says, stressing the dangers of welding together the companies' existing international activities.

Italy and Spain, where Colonia is relatively weak, are obvious starting points, fol-lowed by the US and, later, Latin America and south-east

But nothing will change overnight. This is an opera-tion you must see in a 10-year

Eastern Europe could also prove promising. Last May Colonia bought a 12 per cent stake in Atlasz, a Hungarian travel insurer, in a tentative step towards what it sees as an increasingly important market. Investment policy offers fur-ther growth potential. Victoire and Colonia aiready co-operate informally, with Mr Henri Katz, Victoire's finance boss, sitting in on Colonia's invest-

ment committee.

Additional steps could involve joint investments or greater co-ordination of the two companies' existing port-

Again, Mr Wendelstadt stresses the importance of new structures. "We want to do something new, not just break our heads over re-organising our existing activities."
Surprisingly, however, he has less to say about develop-ing joint insurance policies. Rather than grand ideas about common retail products, Mr Wendelstadt identifies industrial business as being an early beneficiary of the two compa-nies' link, with the ability to cover clients in each other's

countries. Special lines, such as travel. health and life insurance cover for corporate staff being trans-ferred from one country to another, could follow.

hat will the new rela-tionship mean for Winterthur, the big Swiss insurer which bought a 37 per cent stake in Nordstern in 1987, undoubtedly in the expectation of gaining full con-

Mr Wendelstadt notes bluntly: "Whoever has the majority has the say, thank you very much. Why shouldn't we hang on to it. Nordstern is an essential part of our group

an essential part of our group and will stay there."

The French have agreed not to alter the shape of the Colonia group, but they would find it difficult to do so even if they changed their minds.

Such a step would make no sense financially. "Economically it's complete madness for all those involved," Mr Wendelged to say a About 60 per cent of

stadt says. About 60 per cent of the profits from disinvestment would go in tax and the French would get only about half the remainder.

"They didn't buy an opera-tion like Colonia just to sell

Managers gain control of Revisuisse in buy-out

By William Dullforce in Geneva

zerland and Winterthur Insurance in a leveraged buy-out. Price Waterhouse Switzerland is taking a minority stake. Mr Peter Weibel, chief execu-

tive, said the move conformed with new European Community regulations stipulating that the active management of an auditing company must hold the majority of its shares. Switzerland is not a member of

THE management of the EC but Revisusse, which Revisusse, Switzerland's fourth largest auditing group, has taken control of the company from Union Bank of Switzerland and Wittenstein Switzerland's international market. Its fee income rose by 24 per

cent to SF177m (\$47m) in 1988 and it expects an increase of similar size this year.

No price was disclosed for the buy-out but Mr Weibel said all parties considered it to be a fair deal. The 30 partners will raise external loans. Together UBS and Winter-

thur owned more than 66 per cent of the share capital.

Vallourec leaps to FFr4.35bn

VALLOUREC, the French producer of steel tubes, yester-day produced a more than fourfold increase in first-half profits to FFr4.35bn (\$678m) on turnour up 21 per cent on turnover up 21 per cent, writes William Dawkins from

Order books are so healthy that the group expects to maintain the current level of activity for the rest of the year. Net profits for the six months to June were FFr332m after a FFr132m depreciation charge, up from FF7729m in last year's first half, after a FF7137.9m charge. The group attributed the improvement to

Alfa-Laval advances by 51% after eight months

Baverische Landesbank Bulletin

By John Burton in Stockholm

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, yesterday reported a 51 per cent rise in profits after financial items to SKr791m (\$122m) for the first eight months of 1989. It forecast, however, that profits for the rest of the year would grow at a slower pace.
Sales climbed 22 per cent to

SKr9.02bn and Alfa expects the favourable trend to continue for the rest of the year. Demand was strong in all sectors, with a high volume of

new orders. Group orders at

end August amounted to SKr10.96bn, a 18 per cent rise. The food division saw the biggest sales increase, with turnover rising by 31 per cent to SKr2.22bn. Two-thirds of the increase was due to the acquisition of two ready-cooked food companies, Koppens Machine-fabriek in the Netherlands and Kraner & Grebe in West Germany. The industrial division reported a 21 per cent sales increase, to SKr4.93bn, while the agribusiness sector had a 15 per cent increase in sales, to SKr1.86bn.



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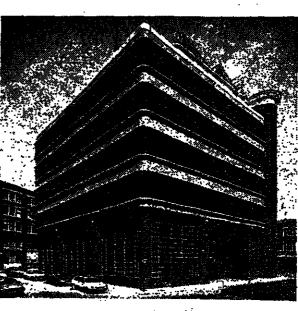
31st August, 1989

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INTERNATIONAL COMPANIES AND FINANCE

American Medical accepts reduced offer from IMA

By Anatole Kaletsky in New York

AMERICAN Medical Internaional, the third-largest US hospital management group, agreed vesterday to a reduced buy-out price of \$26.50 a share from IMA Acquisition.

The troubled Los Angelesbased hospital company's deci-sion followed last Friday's announcement that IMA had failed to find financing for its earlier offer of \$28 a share. IMA is a leveraged buy-out partnership backed by the wealthy Pritzker family of Chicago.

Its financing was being organised by First Boston, but fell through, partly as a result of the collapse of the junk bond market last month. As in several recent cases where junk bond financing has proved difbanks have stepped in to provide a larger proportion of the buy-out debt than originally

expected.
Under the terms of the amended agreement, IMA will pay \$26.50 in cash for up to 63m shares of American Medical, equivalent to 86 per cent of the hospital company's

It will then exchange the remaining shares into 20 per cent of the common stock of a newly-formed company, IMA Holdings. Under the earlier offer, IMA was to pay \$28 in cash for 94 per cent of Ameri-can Medical and convert the

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remaining shares into a 10 per cent stake in the new holding

company.

By lowering the cash payment and adding to the equity component that will be provided by American Medical's current shareholders, the acquisition group clearly hopes to improve its chances of finding adequate financing

Banks led by Chemical Bank have committed themselves to providing \$1.078bn-of senior debt and Chemical has said it is "highly confident" of syndicating a further \$509m. The bank loans would therefore

bank loans would therefore cover 95 per cent of the \$1.669bn in cash required to buy out American Medical's present shareholders.

Previously the banks planned to provide 89 per cent of the buy-out cash. To refinance existing debts and pay the fees connected with the transaction, First Boston would now provide a further would now provide a further \$578m of subordinated debt, instead of the \$713m originally intended. Yesterday's merger agreement said that the Wall Street investment bank had now committed itself to these

subordinated loans. Nevertheless, the deal remained contingent on full financing being completed, a condition that seemed to refer to the bank syndication being arranged by Chemical.

Embraer prepares to pull out of profits tailspin Confidence remains high at Brazil's state-owned aircraft maker despite setbacks, writes John Barham

mbraer is one of the stranger beasts in the Brazilian corporate menagerie. It is a state-owned company run by military officers, operating in a competi-tive, high-technology sector. Against the odds, the group has escaped the overstaffing and feather-bedding rife at other Brazilian state companies to grow into a successful challenger in the civil and mili-

tary aviation busines its successes in the military sector include sales of its Tucano trainer to Britain, while its AMX subsonic fighter is going into service with the Italian and Brazilian air forces. The company also claims lead-ership of the world commuter aircraft market.

For most of its 20-year life the company has seen annual increases in sales and profits. But now profits have stopped growing. The Air Force colonels in command at Embraer had spent too long building low-cost planes and too little time at financial engineering. Mired in debt and shut out of the US, its main market, by threatened trade sanctions, the company reported a \$20m loss in 1988. This year, however, it hopes to rid itself of losses and even make a small profit.

foreign loans - the only source of long-term finance - because of the debt crisis.

Embraer sees its market growing well into the next cen-tury, but its fundamental probshort-term debt had risen to lem is that its largest share-

Sales of military aircraft, including the Tucano trainer (above), account for 40 per cent of revenues at Embrae

Embraer's finance director,

holder, the Brazilian Government, is almost insolvent. The Air Ministry, which controls the company, preferred to leave it starved of capital rather than sell to the private sector. The group, in turn, acted only after its financial difficulties became clearly It has been unable to raise

Miraculously, Embraer managed to cover half the \$300m cost of its latest aircraft - the sleek 30-seat Brasilia - with expensive short-term loans. But by last December its \$350m, equivalent to two-thirds of annual sales. company with only 17 per cent of equity. As it is, the govern-ment holds 97 per cent of vot-Now, with help from First Boston, the US investment bank, it is putting together a ing stock. Non-voting stock in state companies dominates \$410m loan and equity package to reorganise finances. Mr Adalto Ferreira da Silva, local equity markets, but the public has little control over the companies' affairs.

explained there was plenty of room to sell shares to the pubnon-voting stock with a local issue of convertible debenlic without endangering the government's control of the tures, which should raise \$85m.

It also plans to raise \$100m through a debt-for-equity swap. International banks will Embraer. Under Brazilian law a company can issue two nonswap their Brazilian loans at a discount for shares in Embraer, which will collect the debt's full face value in local currency voting shares for every voting share. That means a single shareholder - in this case, the Government - can control a from the original debtor.

THE NAME BEHIND THE NAMES

The money will be used to reduce short-term debt and provide funding for the CBA-123 aircraft Embraer is devel-oping jointly with FAMA of

Argentina.

The company and First Boston are working on another scheme to raise \$225m for its next aircraft, a 45-seat jet passenger aircraft. They want to set up a participation fund in Embraer has started offering set up a participation fund in the US, which would sell shares to investors.

Mr da Silva said Embraer would sign a contract with the fund, granting members a commission on every aircraft sold outside Brazil. American fund members would also be entitled to US tax breaks.

future was assured, in spite of its financial difficulties. The group claims to have won 40 per cent of the US commuter aircraft market, where its aircraft have gained a reputation

for reliability and low cost. Within three years both of the aircraft under development will be entering full production

and boosting cashflow. Embraer has a three-year backlog of orders for the Brasilia and 200 letters of intent signed for the 45-seater jet air-craft, which is still on the

drawing boards. The AMX fighter, developed jointly with Aeritalia and Aermacchi of Italy, is entering full production. Together with the Tucano, military sales account for 40 per cent of revenues, which reduces dependence on

the civilian market.
Embraer expects to achieve financial stability by 1993.
Sales by then should be approaching Slbn a year, comared with a forecast of \$700m

By then the company's earnings should be up to 10 per cent of sales, rather than the meagre 2.7 per cent achieved in 1986 and 1987, the last two years for which Embraer showed a profit.

"Who knows, by 1993 Embraer could even be listed on world stock exchanges," Mr da Silva mused.

Hewlett-Packard aims to extend industry horizons

By Louise Kehoe in San Francisco

HEWLETT-PACKARD aims to leapfrog competitors in the personal computer market with the launch today of the highest-performance personal com-puter to date, carrying per-sonal computer power well-into the realms of mini-com-

Beating IBM, Compaq and others, Hewlett-Packard will unveil the first personal com-puter from a leading manufacturer to be powered by Intel's latest to be powered by inters latest 486 microprocessor. The new Vectra 486 will be 33 per cent faster than HP's current Vectra 386, the com-

pany said.

The new HP personal computer is also the first to use the Extended Instrustry Standard Architecture (EISA), developed collaboratively by nine of IBM's strongest competitors in the personal computer market as an alternative to the IBM Micro Channel.

EISA is a standard for inter-

Floating Rate Notes

1985/1995

nal communications between the various parts of a micro-computer. It enables faster data throughput for highperformance applications such as computer-aided design, or

The cost of the new HP personal computer ranges from \$14,900 to \$20,000, establish-ing a new high for such prod-

The performance and price of the new personal computer overlap significantly with those of computer workstations, blurring an already vague distinction between the general-purpose personal computer and workstations which have been aimed primarily at scien-tific, engineering and financial analysis applications.

In a move towards linking its personal computer and workstation product lines, HP said it would use EISA in future workstation prod-

April 1989



Adviser in successful £8.0m offer for DDT Group.

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For the three months 10th Oct. 1989 to 9th Jan. 1990 the notes will carry an interest rate of 7,95% (Fibor less 0,10%) per annum with a coupon amount of DM 99,38per DM 5.000,— note. want interest payment date will be 10th Jan. 1990.

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INTERNATIONAL COMPANIES AND FINANCE

Inquiry 'not to blame' for delay in **Bond results**

THE NATIONAL Companies and Securities Commission (NCSC), Australia's corporate watchdog, has denied Bond Corp Holdings' claims that it is responsible for delays in the release of Bond's accounts,

Bond Corp's share price fell 4 cents to 28 cents yesterday, with stockbrokers blaming fears that the hold-up in the publication of the accounts could also postpone the dis-posal of Bond's brewing busi-ness to New Zealand's Lion

Nathan group.

The NCSC said it rejected
Bond Corp's explanation that its earnings report for the year ended June, 1989, due to be released by September 30, had been delayed by an NCSC

"None of the officers or directors of Bond Corp or its subsidiaries has yet been required to attend the hearing," the commission said. Bond Corp should complete its audit without further delay, it

added.

The inquiry is into dealings involving Bond Corp, the 58 per cent-controlled Bell Resources group and Bond International Gold.

Bond Corp declined to comment on the commission state-

ment, but earlier said the delay to the accounts could in turn hold up registration of the formal documents for the brewing deal beyond the Octo-ber 18 deadline to which the company had initially agreed.

Banque Franco Portugaise loses autonomy

BANCO NACIONAL Ultramarino of Portugal has been asked by the Bank of France to take over management control of Paris-based Banque Franco Portugaise, Reuter reports. The central bank said in a

brief communique: "This deci-sion was prompted by the fact that the bank was no longer being managed under normal conditions." A Bank of France official indicated that the problem involved a change in senior management, but declined to elaborate.

Banco Nacional Ultramarino owns 34 per cent of Banque Franco Portugaise. The Bank of France said Ultramatino's business activity and client base equipped it to manage Banque Franco Portugaise.

Foreign banks in Tokyo up in arms

By Stefan Wagstyl in Tokyo

EUROPEAN BANKERS in Tokyo are up in arms at an attempt by the Brussels-based Federation of EC Banks to put pressure on the Japanese authorities for regulatory

In a report recently presented to the European Commission in Brussels, the federation demanded various reforms of rules it claimed discrimi-nated against foreign banks in Tokyo. The body hoped the study would help the EC in forthcoming negotiations in the Uruguay round of the Gen-

eral Agreement on Tariffs and Trade (GATT), where financial liberalisation is on the agenda. However, some foreign bank-ers in Tokyo say they were not consulted about the report. "It's nonsense. Some of it is factually not true," said one. "The things they have asked for have already been changed or else they're irrelevant. The regulatory."

Foreign bankers agree with the Bank of Japan, which last week rejected the criticism say-ing that it did not discriminate



Sir Jeremy Morse: heads ieration of EC Banks

against foreign bankers and had received no complaints from foreign bankers about the

points raised in the report.

The federation is a private grouping of EC banks, which is headed by Sir Jeremy Morse, chairman of Lloyds Bank. The three items in its report that have annoyed foreign bankers in Tokyo are demands for the

abolition of a secured call mar-ket; for an end to special low-rate loans to Japanese banks by the Bank of Japan; and for the abolition of the role of Tanshi, financing companies, in interbank dealings.

Foreign bankers say the secured call market, a short-term market where funds can be borrowed against secu-rity of promissary notes, is open to most large foreign banks. So it is not run in a

discriminatory way.

Nor do foreign bankers think
low-rate loans to Japanese
banks from the central bank are unfair. They say that Japanese banks have to deposit large amounts of securities with the central bank to win access to the low-rate loans. So there is no advantage in using

As for Tanshi, foreign bank-ers say these operate in a simi-lar way to discount houses. The federation may be right in claiming that they allow the central bank to control the market tightly, say foreign bankers, but Japanese banks

So abolition would not help foreign banks. Business conditions for most

Business conditions for most foreign banks in Tokyo have steadily worsened in the 1880s, due to the growing strength of Japanese banks and the onset of deregulation, which removed privileges as well as barriers. For example, foreign banks lost a lucrative near-monopoly of foreign currency loans. Pre-tax recurring profits of the 88 foreign banks totalled of the 83 foreign banks totalled Y12.6bn (\$86m) in the year to March, down 57 per cent from

the previous year, according to the Japanese branch of KPMG Peat Marwick, the accountants. This was the largest decline in profits in the past five years and was largely caused by the deregulation of the unsecured call market. Japanese banks had previously been very much kept out of this market by the Bank of Japan on the grounds that they should borrow in the secured call market because it

was safer. But they were allowed in last November and the cost of borrowing rose, squeezing foreign banks' mar-

Rescue for Norwegian bank

By Karen Fossii in Osio

A RESCUE plan for Spare-banken Nord Norge, a troubled medium-sized Norwegian savings bank which has about 75 per cent of the banking business in northern Norway, has been put forward by the central bank and the savings banks' Guarantee Fund.

Deepening losses, which have threatened the bank with insolvency for more than two years, reflect the economic crisis surrounding Norway's northern and coastal areas where the fishing, fish-farming and transportation sectors have remained severely

In the first eight months of

this year the bank suffered losses on loans and guarantees of NKr546m (\$78.4m) compared with NKr619m in the same period last year. Net losses totalled NKr246.9m, against NKr495.8m.

In a recent audit, Price Waterhouse concluded that the bank's long-term capital requirement was NKr2bn.

The main points in the rescue package are:
Outstanding loans of
NKr2.9bn to the central bank are to be reduced by NKr500m. The Guarantee Fund will provide a NKr500m cash injection to strengthen primary capital. NKr250m will be advanced by the fund to launch a rela-tively new hybrid share/bond financial instrument introduced last September to generate new equity capital.

NKr100m from the fund will be allocated to acquire and redeem the bank's subordi-nated debt.

 NKr650m will be allocated as a guarantee for the bank's total liabilities. The rescue package follows a

NKr600m emergency capital injection made in September, which was combined with NKr200m in subsidies over a five-year period allocated by the central bank.

N Zealand meat deal to go ahead

WATTAKI INTERNATIONAL, New Zealand's biggest meat producer, has been cleared to take up to 25 per cent of the Auckland Farmers' Freezing Co-operative (AFFCO), Reuter

New Zealand's anti-trust Commerce Commission said it had cleared AFFCO to buy Waitaki's North Island meat sing and wholesale bust-

The purchase is part of a large restructuring, amounced last month, of the North Island meat processing industry. Goodman Fielder Wattle and Fletcher Challenge each hold about 29 per cent of Waitaki.

The Commerce Commission said the North Island purchase was subject to AFFCO selling Waitaki's half-share in the Kaiti works to a party not associated with AFFCO, by February.
The sale of the half-share

would follow negotiations with Kaiti's other half-owner Weddell Crown Corp, the Com-merce Commission said. Foreshadowing the restruc-

ture last month, the two com-panies said the move would allow farmers, members of AFFCO, eventually to buy Waitaki has already closed two South Island slaughter works and sold off a further

Aker profits rise sevenfold to NKr391m

By Karen Fossil

AKER, the big Norwegian industrial group, yesterday reported that pre-tax profits, before financial items, in the first eight months of this year had soared more than sevenfold to NKr391m (\$56.2m) from NKr51m.

Mr Tom Ruud, deputy managing director, who also announced plans to change Aker's share structure, said the positive profits performance stemmed primarily from Norwegian Contractors, the group's offshore oil plat-form designer and builder.

The cement division, which includes Castle, saw profits rise to NKr279m from NKr69m, with sales increasing to NK12.95bn from NK12.11bn. Aker Offshore posted profits of NK1219m on sales of NK13.48bn versus NKr210m and NKr265m a year ago. Group operating profits more than doubled to NKr686m for

the eight months from NKr318m, while total turnover decreased slightly to NKr9.7bn

For the whole of 1989, profits after financial items are expec-ted to emerge at NKr550m, despite what Aker describes as

a weak domestic market for building materials.

The company plans to change its share structure to strengthen group capital base and meet foreign interest in Aker's shares. Shares are to be split into two classes, voting and non-voting and the com-pany will establish "free shares," which can be owned by Norwegian or foreign inves-

These will comprise one-The remaining two thirds which are called "tied shares," also with voting rights, can be held only by Norwegians.

two in the middle of last year.

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NEW ZEALAND FOREST PRODUCTS FINANCE N.V.

Dated: October 10, 1989

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LUXEMBOURG

The half-yearly report of the company will be available at the "Societe de la Bourse de Luxembourg" and the "Societe des Bourses Francaises" As of June 30, 1989, the net assets were as follows:

Net cash assets 9.68% (of which 1.15% gold bullion) Investment portfolio and long-t

: 23.2% : 12.0% : 10.3% : 8.5%

The unconsolidated net asset value as of September 30, 1989 amounted to USD 317,191,573.86, that is USD 515.76 per share of USD 100 per value, increasing by 13.4% since December 31, 1988, dividend excluded.

INTERNATIONAL CAPITAL MARKETS

Qatar oil group ready to sign delayed Euroloan

By Hunter Reynolds in Dubai

QATAR GENERAL Petroleum ment and demanded changes Company (QGPC) plans to sign its long-delayed \$400m syndicated Eurolean by the end of this month, according to the National Bank of Qatar. "The final touches are being put to the documentation and it will be signed shortly," com-mented a senior bank official.

The three-year term loan, with a margin of 22.5 basis points over Libor, was agreed with the 29 banks in the syndicate last January and guaranteed by the Government of Qatar. The cash is destined for the first phase of the North Dome gas field project, now under development. It is Qatar's first foray into the interna-

tional capital market.

The delay was caused by a serious row which broke out when Qatari lawyers turned down the standard loan agree-

in the loan documentation. **Gulf Investment Corporation** (GIC) and Arab Petroleum Investment Corporation (Api-corp) were nominated as mediators when the Qataris refused to sign certain technical clauses, relating to jurisdiction and a negative pledge. After three months of talks, the Qataris now appear willing to

Local bankers say the row reflects Qatar's memperience in international capital markets. "Those directly involved included local lawyers, the Central Bank, the Ministry of Finance and QGPC; all were desperate to cover themselves in case something went in case something went wrong," commented one banker. "This has not been helped by an over-inflated view of their credit rating."

anger at the delays. "It has taken the gilt off the deal," commented one banker closely involved in the loan, which should have been signed in February. "This has dented Qatar's financial standing." Bankers suggest that Qatar could face problems should it go to the market again. This is serious in view of the recently announced plans to build a \$1.25bn aluminium smelter at Umm Said. "Banks will want to make sure that the rules of the game are clear before they the game are clear before they start bidding," said a banker.

Meanwhile, Chase Investment Bank, which in June was mandated to raise \$200m by Qatar, is believed to have had similar problems over documentation. It is not clear when the five-year loan will be signed.

The bankers have expres

F&CM to launch Mexico fund

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Management, the London-based fund management group, is making its second foray into Latin America with the launch of a \$50m Mexico fund. The group, through its joint venture Latin American Securities, is launching the Mexico Investment Company at the end of this month. It already runs the Brazil Investment. runs the Brazil Investment

Company, established in 1987. The open-ended Mexico fund will be registered offshore in Luxembourg and will be only the second country fund to invest in Mexico.

The closed-ended Mexico Fund, which has been operat-

FOREIGN & Colonial ing since 1981, is listed on the Management, the London-based fund management group, with a total capital of \$147m. Latin American Securities aims to take advantage of liberalisation moves at the world's best performing stock market, which has risen 122 per cent this year in local cur-rency terms and 96 per cent in dollar terms, according to the FT-Actuaries World Indices. In August, the Mexican authorities announced overseas investors would be able to invest in any of the 255 listed Mexican stocks, with trust

Mr Audley Twiston Davies, director at FCM, said his group had been investing in Mexican stocks before the liberalisation moves, but ownership restric-tions meant there was little stock available to foreigners. The current economic pic ture helped make Mexico an attractive investment, he said. Inflation fell to 16.9 per cent in August – having been as high as 179 per cent in February last year - and was forecast to drop to 12 per cent next year.

The Brady debt plan was helping to repatriate capital, while privatisation was prov-ing a healthy source of new

arrangements in place to

FT INTERNATIONAL BOND SERVICE Canada 6 19 91..... Canada 5 19 93..... Etrofima 5 1995. E.I.B. 47, 93.....

Listed are the latest international bonds for which there is a

US DOLLAR

STRAIGHTS

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B.F.C Figure 10 Co. 1 Figure 10 Co.

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Straight Boads: The yield is the yield to retemption of the mid-price; the amount issued is in millions of currency units except for Yea boads where it is in hillions. Change on week.—Change over price a manufactural. erest carrier notes: Denominated in dollars unless otherwise indi-cation Rate Notes: Denominated in dollars unless otherwise indi-cated Coopen shown is minimum. Catte — Date next coupled becomes effective. Spread — Margin shows six-month offered rate (pthree-month; Sabove mean rate) for US dollars. C.com — The correct

coupon.

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Convertible Bonds: Denominated in deliars unless otherwise indicated.

Chy. day = Change on day. Cav date = First date of conversion into stares. Cav. orice = Nominal amount of bond per stare expressed recurrency of share at conversion rate fixed at issue. Prem = Precentage premium of the conventerfective price of acquiring shares via the bond over the most recent price of the shares.

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The prices over the past week were supplied by: Banker; Trust International; Kredisthank N.V.; Commerchank AG; Destache Bank AG; Westdeutsche Landesbank Girezentrale; Bank Generale de Luxembourg SA; Bank Internationale Luxembourg; Kredisthank Luxembourg; Algemene Bank Neterland NV; Plerson, Heldring & Plerson; Credit Suisse; Bank of Tokyo international; Chemical Bank International; Citicory international Bank; Dalwa Europe NV; LTCB International; Repetitional; Geldran Sacks international Corporation; Hamber Bank; ISJ International; Merritic Lyndi; Morgan Stantey International; Nikito Securities Company (Europe); Nomera International; Sanna International; Sanna Montage & Co.; Societe Generale Strauss Turoball; Swiss Bank Corporation; UBS-Phillips & Drew; Wallman Int.; S.G. Warberg Securities; Wood Gendy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 9 October, 1989 . In some cases the rate is nominal. Market rates are the average of buying and selling rate except, where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. terling) 1.00 (NZ\$) 2.6865 30,7726 2,7034 652,2989 1,7922 1,2731 13,2615 160,2279 16.5327 1.4348 346.2117 0.9512 0.6757 7.0386 85.0420 (Riyal) 5.7590 Catar (F/Fr) 10,1025 (Lea) 14,221 (Fr) 128.71 (Bahama \$) 1.5790 (Dinar) 0.5956 (Sp Pecta) 188.60 (Taka) 49.91 (Barb \$) 3.1799 0.5307 0.2002 63.3949 16.7764 1.0688 Bahantas Bahrain Bajearic is Banadadar 16.9347 2.8636 2.0234 4.1367 1.9639 0.8450 319.9050 6.8258 Kenya (Kenya Shiiling) Kiribati (Australian S) Korea North (Won) Korea South (Won) Korea South (Won) Korealt (Korealt) Dinari Common Pr. 23.3.08

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THE CREDIT RISK MANAGERS

Net Dividend 48.75 ptas

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FINANCIAL TIMES

COMPANY NOTICES

BANCO BILBAO VIZCAYA

SECOND QUARTERLY DIVIDEND 1988 The Board of Directors of Banco Bilbao Vizzaya have approved the payment of a second quarterly dividend for the financial year 1869 on all shares in issue, numbered 1 to 121,533,334, as follows:

Gross Dividend 65 ptes Tex 16.25 ptas

Date of payment: On or after 10th October 1989 Place of payment: At the Head Office or branches of Banco Bibbo Vizceya or its subsidiaries.

Conversion Option Sharsholders may opt for the reinvestment of the net dividend of 48.75 pessetas per share in the singulation of further shares offered for this purpose at 760% (7,600 pessetas per share), rounded up to the nearest whole share by the purchase of additional fractions where necessary. Holders of IDRs who wish to convert their dividend will receive shares. All costs of the conversion arising in Spain, including Spaints stocktrotting costs, will be borne by Banco Bibbao Vizcaya. Shareholders may exercise their option to reinvest dividands through the head office and branches of Banco Bibbao Vizcaya or of its subsidiary banks up to and including 31st October 1969, The shares thus acquired are listed and rest user passu.

HOLDERS OF INVESTOR DEPOSITARY RECEPTS (IDRs) will receive sterling at a prevailing rate of exchange on or after 10th October 1989 by presenting Coupon No. 13 at one of the offices listed below:

Hill Semuel Bank Limited 45 Beech Street London EC2P 2LX

Morgan Gueranty Trust Co. of New York Avenue Des Arts, 35 Kunstigan, Brussels 1040

Specific instructions regarding the Option must be given at the time the Coupon are lodged, rounding down to the nearest 100 shares.

EIR holders will receive sterling converted at the rate of exchange ruling on the day of presentation of their coupons, and payment will be made five business days from that date, in the case of coupons presented for payment in London, UK tax will be deducted if the Cash Dividend is taken, unless accompanied by an inland Revenue Allidavit of Non-Residence.

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION OF 12th September 1989 NOTICE is now given that the following distribution will become payable on and after 15th September 1989 against presentation to the Depositary (as below) of Claim Forms listings Bearer Depositary Receipts...

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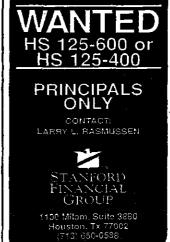
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US holiday and future Italian issue hit trade

By Andrew Freeman

EUROBOND markets lacked direction yesterday, with the US holiday and extensive preparations for Italy's forthcoming jumbo issue occupying syndi-cate officials. New-issue activity was patchy, with several targeted deals emerging. Société Générale became the first bank to take advantage of

INTERNATIONAL **BONDS**

last week's relaxation of duration restrictions on Euro-French franc deals when it issued a FFr300m deal for

Volvo Group Finance. The one-year, dual-currency issue offered investors a 13 per cent coupon and carried a bor-rower's option to redeem the proceeds in either francs or US

An official said the distribu-

tion of the paper was treated on a private placement basis and that the bid price was around less 1%. A syndicate of co-lead managers was formed to underwrite the bonds.

A Pta15bn Matador deal for Enropean Investment Bank was launched by La Caja de Ahorros de Madrid, the first time such a mandate has been won by a savings bank.

There was good demand for the bonds from European investors chasing the attractive yield. The lead manager tive yield. The lead manager was quoting the paper inside fees at 99.90 bid, to yield around 11.42 per cent. Proceeds were swapped, but the lead manager would not elaborate.

The Republic of Austria Schöhn three-year floating-rate deal brought on Friday by Oestermichtenha Länderhank with

terreichische Länderbank, with a Sch4.5bn international tranche co-ordinated by Credit Suisse First Boston, was trading steadily.

The bonds immediately met

good demand from investors after the launch on Friday when the deal was increased from Sch4bn, with the international tranche increased from Sch3bn. It marks the first time Austria has borrowed below the Vienna interbank offered rate - the bonds pay Vibor less % point. Three-month Vibor is currently 8.9 per cent. It is also the first time such an issue will be traded in London, where the bonds were quoted yesterday at Friday's closing level of 99.81 bid,

well inside full underwrit-ing fees of 23 basis points.

| ŊE | W INTE | RNATIO | NAL | BOND | ISSU | E\$ |
|--|--------------------------|------------------------------|-----------------------|----------------------|---------------------------|---|
| Borrower FRENCH FRANCS | Amount to. | Соправ % | Price | Makefly | Fees | Book russer · · · |
| Volvo Group Finance(a)◆ | 300 | 13 | 100% | 1990 | 1/5 | Societe Generale |
| SWEDISH KRONOR West B Finance Curacao(b) | 300 | 11 ² 8 | 1015 | 1994 | 13/14 | WestLB |
| PESETAS EIB(b)∳ | 15bn | 11.40 | 10132 | 1997 | 15/13 | · Caja de Madrid |
| ECUs Compagnie Sancairs(b) ♦ | 50 | 934 | 101.30 | 1982 | 1%/% | Fuji int. |
| YEN Jawel V Ltd.(c)★★◆ CIBC Asia(d)◆ Flash Nine Ltd.(e)◆ | 25ba 2½ bn 2.704bn | 5.6 (d) (e) | 101 5 101 5 (a) | 1993 1993 1993 | 15g 15g/15g 13g/15g | Daiwa Europe New Japan Secs Sarwa Int. |
| IS DCLLARS formula II Ltd.∳ formula III Ltd.∳ | 19 18 | Zero 6 | 71.099 87.725 | 1993 1993 | 15/1 15/1 | Fuji int. Fuji int. |
| **Private placement. •Final te Non-callable. Packed by re-pack thereafter formula linked to Niki tranches. Y1bn variable rate co priced at 341s. | rms. a) Redemi | CS. 9x warran Laumched in | r FFra et t bonda, | FFr6.45 per : | f, at borro | war's option. b) Non-callable. Coupon 5% % for three month |

In Switzerland yesterday, while there were no new issues, traders reported a con-solidation of recently improved sentiment. Prices were a touch

firmer in low volumes. The SFr200m seven-year deal the Srizuan seven-year dean for CNT launched by UBS last week was trading comfortably around less 1 bid, a gain of ½ point on the day amid a wider shortage of plain vanilla paper. The Kauthof SFr129m 6 per cent deal with equity warrants

was trading ½ point above Fri-day's close in the secondary market at 146% bid, against the issue price of 148. the Japanese Ministry of Finance noted that the underlying share price had increased by more than 44 per cent in the last three months, above the 30 in Germany, prices gained up to 1/2 point in most recent per cent limit. The company new issues, helped by fol-low-through from the US marwas also planning a SFr250m convertible Swiss deal. ket's performance on Friday.

A planned DM300m four-year

Elsewhere, late in the day equity warrants deal by West-deutsche Landesbank for Daiwa Danchi, the real estate company, was postponed after

Fuji International brought a Ecu50m deal for Compagnie Bancaire. The bonds offered a 9% per cent coupon and were priced at 100.30.

Gilts fall as sterling moves below crucial DM3 level

By Rachel Johnson in London and Janet Bush in New York

UK GOVERNMENT bonds of the pound on the foreign followed the downward flight of sterling on the foreign exchanges yesterday, finishing a point lower after a day of trading dominated by the weakness of the currency.

"Clearly the trigger point was sterling," a trader said. "As sterling came through to DM2.98 the gilts market came

GOVERNMENT BONDS

lower and there was a degree of stability at DM2.97." At these lower levels, the market had a slight rally - to the relief of the market makers who had bought stock at Friday's higher prices. There was some volume of selling in medium-dated, 10-year stocks. The market is fairly confident that the Chancellor will not raise base rates further. despite the poor performance

exchanges. The benchmark Treasury bond due 2003/07 closed almost a point lower to yield 10.16 per cent, while the longer-dated 9 per cent 2008 stock also closed almost a full point down to yield 9.64 per

m THE YIELD on the Treasury's benchmark long bond fell below 8 per cent yesterday. reflecting belief that the US Federal Reserve had resumed monetary easing.

Trading was very subdued in New York as most banks were closed for the Columbus Day and Yom Kippur holidays and few trading deaks were quoting prices. In London Treasury bond trading, the long bond was quoted in point higher for a yield of 7.99 per cent and short-dated maturities were quoted around % point up.

Fed funds closed at 8# per cent on Friday. It appears that

the Fed initiated an easing

BENCHMARK GOVERNMENT BONDS

| UK GILTS | | 13.500 | 8/85 | 103.9688 | -0.250 | 11.86 | 11.71 | 11.06 |
|----------|--------|--------|-------|----------|--------|-------|-------|-------|
| | | 9.760 | 1/98 | 94.7500 | -0.826 | 10.72 | 10.67 | 10.34 |
| | | 9,000 | 10/08 | 94.4375 | -1.000 | 9.64 | 9.61 | 9,41 |
| US TREA | SURY 1 | 8.000 | 8/99 | 99,8125 | +0.094 | 8.03 | 8.26 | 8.17 |
| | | 8.125 | 8/19 | 101,3125 | +0.188 | 8.01 | 8.23 | 8.10 |
| JAPAN | No 111 | 4.600 | 8/98 | 95,7753 | +0.029 | 5.31 | 5.22 | 5.32 |
| | No 2 | 5.700 | 3/07 | 105,1518 | -0.097 | 5.14 | 5.10 | 5.18 |
| GERMAN | Y | 6.750 | 6/99 | 98.5500 | +0.150 | 6.95 | 7.04 | 6.87 |
| FRANCE | BTAN | 8.000 | 7/94 | 95,7616 | -0.071 | 9.11 | 9.17 | 8.69 |
| | OAT | 8.125 | 5/99 | 96.2800 | +0.160 | 8.71 | 8.90 | 8.45 |
| CANADA | • | 9.500 | 10/96 | 99.9250 | +0.025 | 9.51 | 9.78 | 9.50 |
| NETHERL | ANDS | 7.250 | 7/99 | 99,2250 | +0.045 | 7.36 | 7.42 | 7.15 |
| AUSTRAL | JA . | 12.000 | 7/99 | 91,2400 | +0.051 | 18.64 | 13.66 | 13.03 |

move last week which will perhaps take the Fed funds rate target to 8% per cent from 9 per cent. The rate dipped on Friday despite a draining oper-ation through five-day matched sales, suggesting strongly that

Technical Data!ATLAS Price Sources an easing move had begun. Many commentators had speculated that the Fed would ease policy as part of a Group of Seven agreed package designed to drive down the dol-

lar. Although it was not clear

British Funds Corporations, Dominion and Foreign Bonds Industrials

at the end of last week, it is now looking likely that the Fed eased in concert with interest rate rises in Europe.

The dollar held steady yes terday and was quoted at Y142.80 and DML.8865 in late New York trading. Currency trading in New York was quiet because of the holidays.

The key economic figure this week comes on Friday with the producer prices for September. Forecasters are looking for a rise in the producer prices index of 0.5 per cent. **■ GERMAN** Government

bonds had sharp mark-ups of 30 to 40 pfennigs at the day's fixings, which dealers attri-buted to relief that uncertainty over interest rates was over. The day was dominated by the launch of the DM40n 10-year Federal bond, which was priced at 100.25 with a 7 per cent coupon. As a result, the bond remidly as a result, the

1.516

Shearson to contract operations in Australia

By Our Financial Staff

SERARSON LEHMAN Hutton Australia is to drop out of the Australian interbank foreign exchange market and Austra-lian-sourced broking of US equities to concentrate on investment banking and corpo-

investment banking and corpo-rate finance.

Although the Australian unit started up in 1987, Mr Ken Allen, the managing director, said intense competi-tion and shrinking profit mar-gins in the two areas had led to a rethinking of strategy. An increase in the number of for-eign commercial banks, invest-ment banks and brokerages ment banks and brokerages has exacerbated the competition for business.

The interbank foreign exchange market and Austra-lian-sourced broking areas are "suffering from continuing increased competition and shrinking profit margins," Mr Allen said. "If we really wanted to compete in these ereas we'd have to apply a lot

more resources." Shearson Lehman, part of American Express, started business in Australia in 1987. It has been a relatively small player in Australian foreign exchange, with a team of four people. "It's a very competi-

people. "It's a very competitive and perhaps overbanked market," Mr Allen said.

As Shearson Lehman's investment banking business had been particularly successful, the company had decided to concentrate on that. The refocusing follows a review of Shearson Lehman's worldwide operations, he added.

The company found that investors in US equities were increasingly managing trans-actions from overseas. "We will service the foreign exchange, US equity and finan-cial futures requirements of our institutional clients from our major locations in New York, Tokyo and London," Mr

Allen said. That "appears to be the most appropriate course of action given the preference of larger institutions to look for advice directly from the offshore capital markets," Mr Allen said. Of the 20 staff who have lost their jobs, nine will be offered positions elsewhere and the bund rapidly gained a quarter rest redundancy packages.

Reverberations from 1987 crash continue to hit Australian SE

By Chris Sherwell in Sydney

CONTINUING reverberations from the October 1987 crash dealt a further setback to Australia's stock market in the year to June, to judge by fig-ures contained in the latest amual report from the Australian Stock Exchange.

The figures take no account of the rally over the past three months, but reflect the gloom which hung over the market for much of fiscal year 1988-89 - despite a sharp 35.6 per cent increase in net earnings of companies contained in the All Ordinaries index.

Average daily turnovers measured both by volume and value, slipped below levels seen two years earlier. In vol-ume, the figure was 105m shares, compared with 149m in 1987-88, and 145m in 1986-87. In value, turnover was A\$196m, down sharply from A\$270m the

previous year.

A similar trend was evident with capital raisings. These totalled A\$12bn (equity and debt) in 1988-89, compared with A\$14.6bn in 1987-88 and A\$17.4bn in 1986-87.

New listings, at 73, were the lowest since 1984, while delist-ings totalled 137, almost double the previous largest figure of 77, recorded last year.

Overall market capitalisation stood at A\$209bn for main board equities, down from Aszibn the previous year and a peak of Aszison recorded in the year to June 1987.

But the market rally of the past three months has since

lifted market capitalisation to higher levels - A\$240bn in August, and A\$238bn in Sep-tember - and the All Ordinaries index from 1,521 in June to around 1,770-1,775 cur-

rently.

This is marginally higher than the June 1987 level of 1,764, but still well short of its September 1987 record of 2,305. Unike Japan, the US and the UK, Australian share prices have failed to come anywhere near their pre-crash high lev-

A breakdown of movements A freakdown of movements in particular indices showed that insurance stocks fell furthest over the year to June, by 30 per cent, followed by developers and contractors (down 25 per cent) and gold stocks (down 22 per cent).

The largest gains were shown by solid fuels (up 17 per cent) and transport stocks (up 16.7 per cent). Interestingly, entrepreneurial stocks also rose, by 3.5 per cent.

Malaysia raises minimum required capital for banks

MALAYSIA HAS announced revised minimum capital funds for all local and foreign finan-cial institutions, raising them by 4m ringgit to 10m because of their expansion in operations, Reuter reports from Kuala Lumpur.

Mr Jaffar Hussein, governor of Bank Negara, Malaysia's Central Bank, told reporters that the net working funds of 38 commercial banks in the country would have to be raised to 20m ringgit from the current 10m. Merchant banks would have to increase their net working funds to 10m ringgit from the present 5m, and finance companies to 5m from

the current lm.

Mr Jaffar said all the banks
and financial institutions had

been told to raise their minimum capital funds. This he stated at a news con-

ference to announce the emforcement from October 1 of the Banking and Financial Institution Act, which forces foreign banks to incorporate locally. Mr Jaffar said Malaysia

encouraged large foreign banks to give up their equity control and small ones to merge with Malaysian banks, but would not force them to give up their 100 per cent foreign sharehold-ings after the incorporation. He said foreign banks which

reduced their holdings to less than 50 per cent would enjoy all the privileges of local banks, such as being allowed to open more branches.

in any case, the expectation of a recovery in Ferranti's share

price prompted active buying of calls by market makers and insti-

tutions. Ferranti traded 3,607 con-

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times

| | EQUITY GROUPS | | Mond | ay Oct | ober 9 | 1989 | | Fri Oct 6 | That Oct 5 | Wed Oct 4 | Year ago (approx) |
|------------|---|-----------------------------|--------------|----------------------------|-------------------------|-------------------------------|-----------------|--------------------|--------------------|-------------------|-------------------------|
| Fig | & SUB-SECTIONS pures in parentheses show number of stocks per section | Index No. | Day's | Est. Earnings Yield% | Gross Div. Yield% | Est. P/E Ratio (Net) | nd adj. 1989 | Index Mo. | Index No. | ladex No. | ladex |
| | Stocks per section | no. | Change | (Xeyk) | (Act at 125%) | CHED | to date | . AG. | MO. | PRU. | MU. |
| 1 | CAPITAL GOODS (208) | 917.72 | -2.5 | 12,05 | 4.57 | 10.16 | 26.63 | 949.50 | 942.48 | 961.81 | 813.93 |
| 2 | Building Materials (29) | 1065.22 | -3.0 | 14.57 | 5.18 | 8.58 | 34.89 | 1096.35 | | | |
| 3 | Contracting, Construction (37) | 1468,98 | -2.8 | 16.63 | 5.26 | 7,85 | 48.87 | 1512.67 | 1528.56 | 1574.96 | 1619.30 |
| 4 | Electricals (10) | 2649,67 | -2.1 | 10.64 | 4.57 | 12.54 | 68.91 | 2797.14 | | 2881_36 | |
| 5 | Electronics (30) | 2029.68 | -2.0 | 9.56 | 3,62 | 13.50 | 49.17 | 2972.86 | | 2111.44 | |
| - 6 | Mechanical Engineering (54) | 477.14 | -1.9 | 11.24 | 4.53 | 16.82 | 14.16 | 586.69 | 507.72 | 516.22 | 422.81 |
| 8 | Metals and Metal Forming (6) | 471.61 | -2.4 | 21.80 | 6.35 | 5.06 | 15.15 | 483.45 | 489.45 | 496.82 | 493.66 |
| 9 | Motors (19) | 366,45 | -3.0 | 19.63 | 4.33 | 31.68 | 9.97 | 377,74 | | 376.21 | 286.03 |
| | Other Industrial Materials (23) | | -2.5 | 9.56 | 4.34 | 12.34 | 51.87 | | | 1742.78 | 1376.88 1076.34 |
| 21 | CONSUMER GROUP (184) | 12/9.62 | -1.5 | 8.58 | 3.44 | 14.63 | 25.94 | 1299.29 | | 1326.05 | 1121.29 |
| 22 | Brewers and Distillers (23) | 1427.11 | -1.0 | 8.96 | 3.37 | 13.97 | 25.76 | 1474.85 | | 1489.95 | 965.TS |
| 25 | Food Manufacturing (20) | 1140.00 | -1.2 | 8.97 | 3.75 | 14.67 | 23.41 | | 1155.54 2446.12 | | |
| 26 | roog ketaijing U4) | 2380,47 | -1.7 | 8.53 6.27 | 2.94 | 15.50 18.81 | 43.00 37.80 | 2428.17 2497.13 | 2581.21 | 2534.21 | 1941.19 |
| 27 | Food Retailing (14) | 2406.03 | -1.2 -1.6 | 7.98 | 1.92 3.46 | 15.59 | 35.69 | | 1797.73 | 1731.30 | 1378.57 |
| 27 | Packaging & Paper (15) | 843.42 | -1.6 | 10.58 | 4.63 | 11.79 | 16.17 | | 578.62 | 991.51 | 545.22 |
| 27 | Publishing & Printing (18) | 2527 02 | -2.8 | 9.81 | 4.81 | 14.25 | 105.37 | 3611.84 | 3662.16 | | 3356.33 |
| 24 24 | Stores (32) | 199 47 | -2.3 | 10.88 | 4.69 | 11.99 | 18.56 | 887.83 | 819.62 | 838.99 | 764.88 |
| 35 35 | Textiles (14) | 24 AE | -2.8 | 18.61 | 5.50 | 11.33 | 15.67 | 549.94 | 559.25 | 548.82 | 511.43 |
| <i>4</i> 0 | OTHER GROUPS (93) | 7149 52 | -1.6 | 10.22 | 4.42 | 11.86 | 26.58 | 1166.66 | | | 912.26 |
| Αĭ | 41 120 42 43 44 | 1583 07 | -0.1 | 6.66 | 2.28 | 18.51 | 24,40 | 1586.19 | | 1569.39 | 1675.45 |
| 42 | Agencies (1.7) | 1221 43 | ~L6 | 12.26 | 5.12 | 9.61 | 42.58 | 1246.78 | | 1275.51 | 1064.92 |
| 43 | Conglomerates (13) | 1682,66 | -1.9 | 18.67 | 5.10 | 11.03 | 29.89 | 1634,83 | | 1661.01 | |
| 45 | Transport (13) | 2217.55 | -26 | 10.09 | 4.24 | 12.67 | 55.79 | 2270.35 | | | |
| 47 | Telephone Networks (2) | 2211.55 11 0 5.97 | -1.7 | 18.96 | 4.47 | 11.89 | 22.38 | 1126.91 | 1134.69 | 1152.61 | 984.55 |
| 48 | Miscellaneous (26) | 1958.76 | -0.9 | 8.90 | 4.20 | 12.69 | 44.44 | 1976.75 | 1953.45 | 1980.17 | 1231.15 |
| | INDUSTRIAL GROUP (485) | 1164,52 | -1.8 | 9.94 | 4.01 | 12.48 | 27.19 | 1185.47 | 1189.38 | 1298.38 | 977.69 |
| | 0)) & Gas (15) | 2183,47 | +9.3 | 9.92 | 5.19 | 13.32 | 86.84 | 2177.16 | | 2281L7S | 1742.58 |
| | | | | | | 12.52 | | | 1273.16 | | 1842.86 |
| | 500 SHARE INDEX (500) | 1250,A3 | -15 | 9.94 | 4.17 | 12.56 | | | | | |
| | | 778.A1 | -1.4 | i | 5.36 | I =_, | 27.17 | 789.16 | 792.22 | 800.90 | 677.32 681.97 |
| 92 | Banks (9) | 783.26 | -2.2 | 22.85 | 6.38 5.18 | 5.96 | 35.17 46.88 | 792.79 1234.67 | 795.18 | 882.98 1256.86 | |
| 62 | Insurance (Composite) (7) | 1222.35 | -1.0 |] = ' | | 1 = | 24.09 | 651.63 | 658.75 | 659.55 | 539.47 |
| | Insurance (Composite) (7)(insurance (Brokers) (7) | | -0.7 -1.2 | 7.41 | 5.84 6.17 | 17.98 | 44.55 | | | | 968.33 |
| 0/ 40 | Merchant Banks (11) | 100 F4 | -1.2 -1.8 | 8.49 | 4.13 | 161.52 | 9.78 | 417.82 | 417.88 | 416.11 | 338.48 |
| 60 60 | Property (49) | 1247 02 | -2.4 | 7.18 | 3.25 | 17.94 | 20.77 | 1278.72 | | 1372.61 | 1219,44 |
| 70 | Other Financial (30) | 249 (5 | -0.9 | 11.35 | 132 | 11.49 | 13.23 | 351.74 | | 356.02 | 365.43 |
| 77 | Investment Trusts (68) | 1224 17 | -8.6 | | 2.76 | | 19.94 | 1241.58 | 1249,77 | 1258.45 | 929.36 |
| 91 | Mining Finance (1) | 186.67 | -0.5 | 18.98 | 3.93 | 10.31 | 22.25 | 691.60 | 694.16 | 701.86 | 569.34 |
| | Overseas Traders (8) | 1367.02 | -2.6 | 18.11 | 5.84 | 12.35 | 43.67 | 1394.99 | | | 1386.34 |
| | ALL-SHARE INDEX (698) | 1136.63 | -14 | | 4.32 | | | | 1156.99 | | 954.44 |
| | | Index | Day's | Day's | Day's | Oct | Oct. | Oct | Get | Oct. | Year |
| | Į. | No. | Change | | Low (b) | 6 | 5 | 4 | 3 | 2 | 1625 890 |
| | | | | | | | | | | | |

| FIX | ED I | NTE | REST | F | | AVERAGE GROSS REDEMPTION YIELDS | Mon Oct 9 | Fri Oct 6 | Year ago Capprox |
|--|----------------------------|----------------------------------|--|-----------------------------------|----------------------------|--|--|---|---|
| PRICE INDICES | Mon Oct 9 | Day's change % | Fri Oct 6 | xd adj. today | xd adj. 1989 to date | Britisk Government Low 5 years | . 9.65 | 10.29 9.59 | 9.57 9.20 |
| 2 5-15 years 3 Over 15 years 4 Irredeemables 5 Atl stocks Index-Linkel 6 Up to 5 years | 139.69 162.48 128.04 | -0.69 -0.91 -0.31 -0.56 | 116.14 131.45 141.34 162.99 129.01 138.21 136.79 | 0.05 0.35 0.36 ~ 0.25 | 8.83 | Color Colo | 11.21 18.91 9.59 11.33 10.24 9.75 9.54 3.86 3.68 | 9.44 11.09 9.89 9.49 11.21 10.11 9.65 9.50 3.71 3.45 2.91 | 8.9: 9.9: 9.6: 10.0: 9.1: 8.8: 3.1: 3.7: 2.1: |
| B All stocks | 136,21 | -0.42 | 136.78 | - | 2.82 | 14 Inflation rate 10% Over 5 yrs. 15 Bels & 5 years | 13.28 | 3.48 13.18 | 3.6 11.7 |
| Debembres & Loans Preference | | -0.70 -0.73 | 210.77 88.33 | - | 8.26 4.71 | 16 Leans 15 years 25 years 18 Preference | | 12.21 11.57 10.46 | 11.1 10.7 |

2247.6 -34.5 2265.2 2242.6 2277.5 2281.6 2312.1 2318.6 2289.2 1844.1

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LONDON TRADED OPTIONS

THE SHARP decline on the stock market yesterday sparked off another busy day in options trad-ing, as dealers tried to assess whether equities have further to

Total activity bettered Friday's turnover and amounted to 44,843 contracts, divided between 22,968

calls and 21,875 puts.

Turnover in the FT-SE 100 idex option amounted to 14,371 ontracts, of which 9,537 were uts and 4,834 were calls. Dealers said trading in the

T-SE 100 option contract was ectic at times, as the underlying dex lost 35 points at one stage.

4 5%

took profits by selfing puts. The profit-taking flushed out a few aggressive buyers of puts, but the trend of the market remained one of selling rather than buying puts. One dealer said the profit-taking was prompted by a belief that the FT-SE index may consolidate around 2,250.

Among the Individual company options, Ferranti was the busiest, as speculation continued as to which of the many interested parties would eventually buy it. The Anglo-French consortium of British Agreenages and Thomson-CSE

ish Aerospace and Thomson-CSF is still seen as the favourite in the options market, though different US and European companies have also been mentioned as

600 31 60 71 16 29 650 11 36 48 54 58 700 2½ 22 31 98 98

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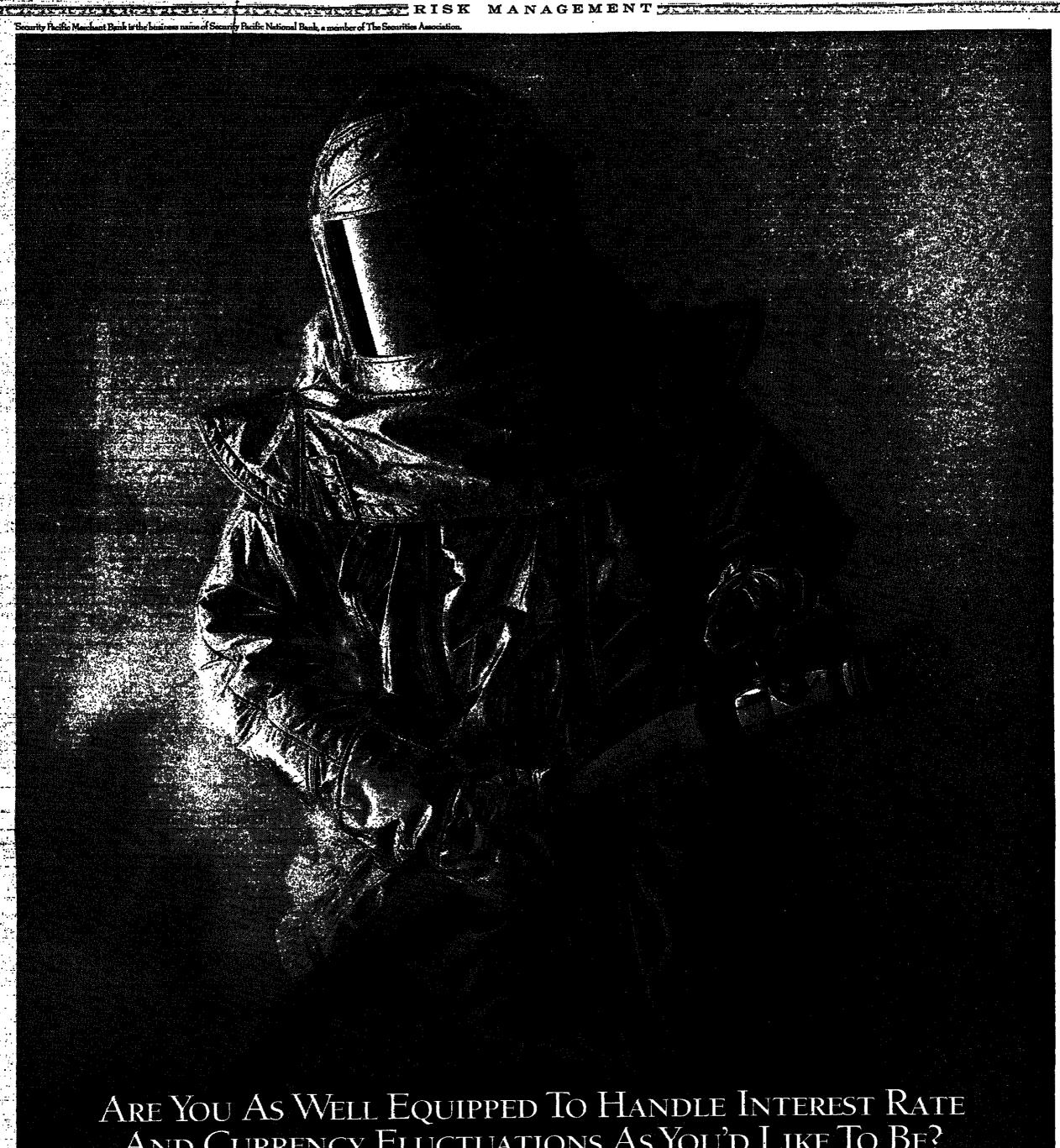
34

tracts, of which 2,952 were calls and 655 were outs. The November 70 call was the busiest series and traded 690 contracts. Elsewhere, speculative stocks continued to feature, with United Biscuits trading 1,458 contracts, of which 600 were calls and 858 were puts. The busiest series was the January 360 put, which turned over 500 contracts British Gas was also active, trading 2,632 contracts, divided between 2,215

ing 1,151 contracts.

| _ | Abraha | | _ | | | | _= | |
|----------------------|--|----------------------|----------------------|-----------------------------|-------------------|---------------------------------------|----------------------------|------------------|
| 14 | Abbey-Mat (*148) | 140 160 | · <u>12</u> 3 | . 17 | 2 <u>1</u> | 2ել 14 | 31 ₂ | 4 <u>ե</u> 15 |
| 26 | Feranti 460 i | . 50 60 | 12 | 8½ 8½ | ü | 15 | 3 612 13 | 4 |
| 21. 38 | Option | 70 | 15 | ة حطر | 6½ Apr | 12 No v | 13 | 14 Apr |
| 82 12 12 15 12 14 44 | #50# Grp. (*166) Option | 160 180 | Ib 8 Nov | 23 14 | 29 19 | 5 17 | 9 20 | 13 22 |
| | Catendy (*237) Option | 220 240 | 1 Per | - | | li Des | | |
| ** | Amstrad (*63 i | 60. 70 | 9 47 ₂ | 8 1112 | 145 116 | ıı, | 8 14½ | 9 15 |
| Hay . | Bardays (*504) | 500 550 | 33 12 | 50 19 | 56 33 | 11 45 | 25 35 | 27 57 |
| 40 45 107 | Other Circle (°219) | 220 240 | 17 | 26 | 28 20 | ū | 14 | 18 35 |
| 1.7 36 57 | British Gas (*206) | 180 200 220 | 32 14½ 5 | 35 20 91 ₂ | 42 26½ 14½ | 31 ₂ 141 ₂ : | 2 7 562 | 3 8½ 17 |
| 37 60 90 | · Dhans (*126) | 120 130 | 15 9 | 19 15 | 25 20 | 4 8 | 7 112 | 5 12 |
| 90 13 30 58 | Glam (*1453) | 1450 1500 1550 | 78 52 30 | 130 102 77 | 110 125 185 | 37 64 99 | 48 74 105 | 53 77 107 |
| 5 | Hander Sidd. (*648) | 650 650 | 67 37 | 60 | 70 | 9 33 | 37 | 45 |
| 11 24 | Hillsdom (*288) | 280 300 | 21 11 | 33 22 | 41 29 | 6 18 | 10 19 | 12 20 |
| | Leade (*266) | 260 280 | = | 29 18 | 36 26 | Ξ | 17 28 | 19 28 |
| | Midad Br (*357) | 330 360 | 21 | 52 30 | 37 | - 15 | IO 22 | 23 |
| 13 30 57 | R. Royce (*277) | 160 2 180 | 3½ 19 | 17 | 21 | 213 | ū | 14 |
| 18 | Sees (*112) | 110 120 | 71 ₃ | 21 ₂ 8 | 15 11 | .4 12 | 5½ 12 | 7½ 13 |
| မာ့ 15 | THF (*923) | 300 330 360 | 29 12 12 | 41 25 12 | 31 20 | 7 22 48 | 11 26 50 | 29 51 |
| 33 | Thom Eldi (*798) | 750 800 | 75 40 | 98 64 | 94 | 芝 | 18 37 | 40 |
| _ | T\$B (*112) | 100 110 120 | 15 7 2 | 18 9 4 | 14 | 1 10 | 21 ₂ 6 12 | 75 13 |
| 40 | Vani Reefs (*83) | 80 90 | 9 5 | 12 8 | 14 20 | 5 | _ 7 13 | 8 14 |
| 22 - | Walksma (*623) | 600 650 | 55 29 | _ | 105 80 | 22 45 | 30 52 | 32 60 |
| | FT-62 (BBEX (*2245) 2290 2250 2360 2350 2460 2450 2560 2560 | | | | | | | |
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UK COMPANY NEWS

Expected bid could value Sheffield toolmaker at more than £70m

Overseas mystery buyer for James Neill

By Andrew Hill

JAMES NEILL Holdings is expected to announce an agreed deal today which could value the Sheffield toolmaker at more than £70m — a sub-stantial premium to the mar-ket price — and take it out of

the quoted sector.

The mystery bidder is thought to be a financial group, based overseas but with operations in the UK. It will

stake in Neill, bought yester-day from James Wilkes, the Sheffield manufacturer of beer mats and box machinery.

Dealings in Nelli's shares
were suspended at 202p pend-

ing a further announcement.
Wilkes paid up to 267p a
share for its stake in the company. The potential buyer apparently approached Wilkes with an offer which topped that price. A bid at the same level would value Neill at

nearly £75m.

Just under two weeks ago, when Neill announced a sharp cut in pre-tax profits for the first half of 1989, Wilkes's chairman, Mr Stephen Hinch-liffe said the toolmaker's shares looked expensive at

191p. Yesterday he said: "We're putting a very large cheque in the bank and we have made a substantial profit for our share-

Neill refused to comment on the impending deal, but it is thought the offer will leave the group's management intact, while sheltering Neill from stock market pressures.

The company, a perennial bid target, owns valuable brands such as Spear & Jackson DIY and garden tools and Eclipse hacksaws. But in the first half of this year it was hit by the impact of higher interest rates on sales of its hand

and garden tools and only just

However, Neill said two weeks ago that it hoped to cut 23.75m from annual overheads and improve productivity.

The Neill family controls about 12 per cent of the com-pany, and Triplex Lloyd, the foundries and engineering group, holds a further 14 per

Sir Colin Chandler to take key job at Vickers

By David White and Jane Fuller

VICKERS, the engineering, joining a defence company defence equipment and luxury car group, is expected to announce today the appointment of Sir Colin Chandler, formerly head of the Ministry of Defence's export services department, as managing

director designate. Sir Colin, who turned 50 on Saturday, was seconded to the MoD in 1985 from British Aero-space, where he was marketing director. While at the Ministry BAe agreed to top up his civil

service salary. When Sir Colin might take up the post is dependent on whether a waiver can be obtained from No 10 Downing Street over the customary gap - of, say, six months -between leaving the MoD and

A spokesman at the Cabinet Office said that the matter was being considered by the Advisory Committee on Business Appointments, which makes recommendations to the Prime Minister on the terms that should be set when a civil ser-vant transfers to industry.

As head of defence export sales, Sir Colin was a central figure in negotiating Britain's two-stage defence agreement with Saudi Arabia, expected to be worth at least £15bn. BAe is the prime contractor for all the supplies and construction work under the agreement.

Vickers, which has about a quarter of its business in defence and aerospace, clearly hopes that his experience in the Middle East will be brought to bear to exploit mar-kets for battle tanks and armoured vehicles.

The company is engaged in a race against the clock to clinch a fibn-plus UK tank contract against US and West German competition. It is half way through the 21-month period given it by the UK Ministry of Defence last December to demonstrate the prototype performance of its Challenger 2 tank.
The UK contract is considered crucial to its export

Commenting on the labelling of Sir Colin as a "super salesman", a ministry colleague said that "salesman" was the wrong way to describe him. He had led the export services department during a period of unprecedented success for UK defence exporters.

Sir Colin's future has been a matter of speculation since a successor, Mr Alan Thomas, was named in January to take over the MoD export post in early summer. Sir Colin was at one stage considered a candidate to replace Sir Raymond Lygo, who is retiring as chief executive at British Aerospace at the end of the year. That job is going instead to Mr Dick Evans, up to now head of BAe's defence

cial apprentice at de HavillandAircraft, which became part of BAe. He worked his way up tracts department to become executive director and later took responsibility for the com-pany's successful Harrier jump-jet and Hawk trainer pro-

Vickers, which is headed by Sir David Plastow, sold its Howson Algraphy printing plate business in May, leaving four divisions: Rolls Royce motor cars; defence and aero-space; medical equipment; and

marine engineering.

It has been suggested that Vickers might want to sell one or both of the last two. There has also been speculation that the cash-rich company may be on the look-out for a purchase on the defence and aerospace side; or that it might itself be a

Armstrong Equipment rejects Caparo bid as inadequate

By John Ridding

ARMSTRONG EQUIPMENT, the industrial fastener and engineering company, yesterday rejected as "patently inadequate" the £96m bid it is facing from Caparo Group, the private holding company which is headed by Mr Swrai

In its defence document which was sent to shareholders yesterday, Armstrong said that after adjusting for subsequent movements in the FT All-Share Index, Caparo's offer of 180p per share is worth less than an unsuccessful bid for Armstrong at the end of last

year.
Ironically, Caparo Group, which holds a 29.3 per cent stake in Armstrong, helped defeat the bid from Wards Storeys, the plastic sheet-

group.
Mr Roy Watts, Armstrong's chairman, said that in the three years since the arrival of new management the group had been transformed.

in May, the company has a very strong balance sheet and is ideally placed to exploit acquisition oppor-

The company's strategy involves the formation of an involves the formation of an international engineering group which would manufacture and supply components rather than commodity engineering products which it says are open to threat from low-cost open to threat from low-cost

imports. Armstrong also dismissed as "ill-informed, unfounded and misleading" allegations from Caparo concerning its accounting practices, asset position and cash posi-

its latest accounts which related to the reorganisation of its fastenings divisions was correctly taken as extraordinary rather than exceptional because the costs

He added that "following the were outside the normal course sale of the suspension division of business and are not of business and are not

expected to recur. Armstrong also claims that Caparo "misunderstood" the basis of comparison of its pro-forma asset position at the time of the sale of its suspension division.

Caparo described the defence document as "shallow" and said that Armstrong has attempted to distract attention from the real issues.

It argues that the continuing operating divisions have "shown little or no growth and declining margins in Mr Paul, Caparo's chairman, said that "Armstrong's claim to have a coherent strategy is wholly unconvincing and unsupported by their track

He argues that in the current uncertain industrial climate "the attractions of our offer of 180p in cash are

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the Mohawk Management Shareholders.

New York, New York

October 1989

Receivers called as interest rates hit Sharp & Law

By Andrew Hill

HIGH INTEREST rates and the poor retail climate have claimed a victim in Sharp & Law, the USM-quoted shopfit-ter, which yesterday called in the receivers after its bankers demanded the repayment of

outstanding loans.
Dealings in the Bradford company's shares were suspended at 42p last Thursday - coinciding with the latest rise in interest rates and end-ing several torrid months for the shopfitter. Just before the stock market crash two years ago Sharp's shares stood at a peak of 248p.

The receivers - Mr Michael

Moore and Mr Michael Jordan of Cork Gully — will today review the trading situation of the group's subsidiaries and decide whether receivers should be appointed to individ-

ual group companies. Mr Jordan said y that buyers had expressed considerable interest in some of the group's operations which the parent company's receivers would try to sell as going con-

Sharp said the following sub-sidiaries were still trading: Widds Signs; Baxter Fell Northilest (BFN), which makes retailest (BFN), which makes retail display systems; the group's French operation S N Giblin Lavanit; Wares Electri-cal & Plumbing Services; Inter-nal Partition Systems (PS) and Brian Walker Partitions.

Mr Jordan said these w the companies which had attracted the most interest but added that other Sharp subsidiaries continued to trade, pend-

ing the receivers' review.

The group's problems began
in March, less than a month
after the company made its first move into continental Europe, when it was forced to restate its 1987 profits because of "material accounting errors" which also hit 1988 profits.

in July high borrowings more than three times share-holders' funds at one point ~ forced the group to issue two profits warnings in quick succession, and invite buyers for BFN, Giblin Lavault and IPS. Sharp joined the USM in

Ferranti warrants linked to damages

By Terry Dodsworth

SHAREHOLDERS in Ferranti International Signal, the crisis ridden defence electronics group, are to be issued war-rants entitling them to the receipt of any money recovered from pending legal actions even if the company is taken over in the meantime. Sir Derek Alun-Jones, chair-man, has told institutional

man, has told institutional shareholders that part of the £185m which Ferranti claims to have lost through a suspected international fraud should be recoverable.

Legal action, he said, is being considered against several organisations involved in this sale of intrnational Signal and Control, the commany in

and Control, the company in which the suspected fraud was discovered, to Ferranti in 1987. These actions however, are expected to take up to five years to conclude.

Sir Derek also indicated that the Ferranti board was opposed to the rescue plan put forward by Hill Samuel, the London merchant bank, and Murray Johnstone, the Scot-

Murray Johnstone, the Scot-tish fund managers.
Under this scheme Ferranti
would be split into two to
divide the problem parts of the
company from those which
have been untouched by the
fraud scandal.

The company, however, believes this scheme will be too compleated to organise. Shareholders were told that it would demand a larger refi-nancing programme than the one the company has already worked out with its banks.

This view on the Hill Sam-uel proposal coincides with scepticism at the Ministry of Defence, which believes that Ferranti needs the support of a large, well-financed organisa-tion which can give strong

leadership.
Sir Derek is expected to make a brief comment on some of these issues at today's annual general meeting.

The meeting, postponed from September, when the frand crisis first hit Ferranti, is due to be deferred again until next month when the company promises sharehold-ers a more complete picture of

its financial state.

Meanwhile, Ferranti's shares came in for another day of heavy trading with continued talk of stake-building from potential bidders for the company. The shares finished 2p up at 592p, valuing the company at £445m.

TIP Europe claims 'top' spot with 40% advance to £12.7m

By Kevin Brown, Transport Correspondent

TIP EUROPE, the Anglo-Dutch trailer rental company, yesterday reported a 40 per cent increase in pre-tax profits to 512.7m for the 12 months to July 31. Revenue was up 67 per cent to £58m.

Esrnings per share increased to 14.1p (13.7p). A recom-mended final dividend of 3.4p will raise the total by 19 per cent to 5p.
TIP said the improvement

reflected strong organic growth and the impact of four acquisi-tions during the year, all of which had been fully integrated. Mr Jim Cleary, chairman

said the results confirmed TIP's position as Europe's top trailer rental company, even though its fleet of 18,000 trailers is around the same size as that of Tiphook

that of Tiphook.
"No one else is making profits on this scale from the business we are in, and our profit before tax of £940 per unit is twice that of any other com-

pany," he said.

Mr Cleary said TIP's trailer fleet had grown by 80 per cent during the year, of which twothirds was due to organic growth. The trailer fleet would continue to grow in line with

demand, he said. TIP was unlikely to make further acquisitions during the year, partly because most of the available target companies had already changed hands. He said TIP had not put in a bid. for Trailerent, Europe's third biggest rental company, which has been put up for sale by Barclays Bank for about £40m.

TIP has made major advances 9.7.

since it was bought by its management from Gelco in 1986, and it is now clear that the company was being held back by its American owner's ignorance of the European market. The UK, where around is per control of trailers are rented is cent of trailers are rented, is the biggest single market in Europe, and growth continues to be strong, reflected in a 23 per cent increase in TIP's domestic pre-tax profits. But the real prizes are to be won in the less mature continental market, where rental penetra-tion is only around 5 per cent, and the market is growing by up to 20 per cent a growing of which has dual headquarters in Aylesbury and Amsterdam, is better placed than its com-petitors to exploit this opportunity, and pre-tax profits from continental operations grew by 56 per cent last year to 56 per cent of the total. This trend is likely to continue as last year's acquisitions work through. The management appears to have decided that the price-tag on Trailerent was too high, but cash is available for fleet replacement without significantly worsening gearing. TIP also benefits from a conserva-tive financing policy under which 91 per cent of its £100m debt is now at fixed rates. In addition, the strong cash flow from European operations has allowed it to switch 46 per cent of debt into loans at lower interest rates in continental correncies. That manoeuvre is likely to be worth at least £1m on the bottom line in the current year. Pre-tax profits should reach £18m, putting the shares on a prospective p/e of

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Third Market quotation plans at Hartley Baird

By Clay Harris

motors and domestic appliances group which lost its full listing in the 1970s, plans to seek a Third Market quotation next month. No new money will be raised in the introduc-

The company, whose shares are traded on a matched-bargain basis under rule 535 (2), yesterday reported a sharp increase in pre-tax profits to £1.01m (£367,000) for the year However, Mr. Stephen Kaye, this everytim said the presylve chief executive, said the re were not comparable since

HARTLEY BAIRD, the electric Hartley Baird had been almost purely an investment company in 1987-88. Excluding the £294,000 in net interest payments (£68,000 net receipts), operating margins rose from 13 per cent to 14 per cent.

Earnings per shere advanced by 66 per cent to 5.17p (3.12p), and a final dividend of 0.5p raises the total to 0.75p (0.5p).

Correction Guinness

The percentage increase in Guinness's interim pre-tax profits was mis-stated in Friday's report. At £246m, profits were 34 per cent higher than in the first half last year.

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Mr. Peter P. Gray Chief Financial Officer, Elan Corporation plc, Monksland, Co. Westmeath.

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10th October 1989

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Dec. 2273/2283 -30 Dec. 2799/2811 -4

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UK COMPANY NEWS

Crescent boss poised to become first black African to run a quoted UK company

Crescent Africa plans UG stake to inject £1.53m

MR KOJO Nyantekyi, a shares on the basis of two new Ghanaian former dentist, is shares for every nine held. UG poised to become chairman of United Guarantee, the fuel distribution, heating engineering and energy group, which last

year lost Sim.

Mr Nyantekyi, 41, plans to
take a large stake in UG
through his private family-controlled company, Crescent Africa, which trades between Africa, Europe and the US. If he succeeds, it is thought he will be the first black African man to run a quoted

British company.

The move has been proposed to provide UG with extra working capital of £1.53m, before expenses. Crescent is to subscribe for 20m new ordinary shares at 5p and existing shareholders will be given the opportunity to subscribe for a further 10.5m of the new

shares for every nine held. UG shares yesterday closed at 8.5p,

down 2p.

If all existing UG shareholders subscribe for new shares,
Crescent's stake in the company will be 25.7 per cent. However, Crescent is under-writing the offer and if it is required to take the maximum

required to take the maximum number of shares to which it could become entitled, its holding would amount to 39.2 of the enlarged share capital.

Subject to shareholders' approval, Mr Nyantekyl will become chairman of UG and Mr Peter Delf, a director of Crescent, will be finance director. Mr Peter Stringer, who inited UG in April, will remain ioined UG in April, will remain as group managing director. Mr Nyantekyi said he would examine all UG's activities

Kojo Nyantekyi (left), Crescent chief executive, and Peter Stringer, UG group managing director

larly interested in its UK fuel distribution business and its chemicals side, which distrib-utes Du Pont specialist additives for refinery chemicals.

The deal is conditional on the successful disposal of UG's small tools division to UK Tools, which was agreed on over Panel waiving any

make a general offer. For the last few months. Mr Nyantekyi has been laying siege to Aberfoyle, the overseas trading company with Zimbabwean interests, in which Crescent has a 27 per cent stake Mr Nyantekyi said that in

spite of the deal with UG, he intended to keep his stake in Aberfoyle and to maintain

description to change direction. Crescent has urged Aberfoyle to bring in outside investors to its Zimbabwe oil plantation at Mwenzi and to diversify outside Zimbabwe.

Crescent made a pre-tax profit of £150,000 in 1988 after a loss of £900,000 the previous year caused by investment losses in 1987's crash.

Aberfoyle rises 66% to £1.54m

c and increased profits on the disposal of investments contributed to higher interim profits for Aberfoyle Holdings.
On turnover up from £3.84m
to £4.56m pre-tax profits
improved nearly 66 per cent to

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6: £1.54m (£929,000). Mr Ian Coates, chairman, said that the result reflected the achievements of the new management team and the

tural divisions continued to incur losses. However, changes in July this year Aberfor steady progress. Income from investments was lower, associated with the continuing disposal of the investment portfolio, but results from the property sector had improved,

in 1985 Aberioyle set up the

In July this year Aberfoyle made a rights issue to raise in the management of Kintyre made a rights issue to raise Estates had brought slow but £1.07m for investment in the project and to help the company to meet certain sterling commitments arising out of MDC. More active interest on the part of prospective inves-tors was now being generated, Mr Coates said.

After tax of £532,000 (£82,000) said that the result reflected in 1985 Aberioyle set up the achievements of the new improvement would continue in the second half.

The performance of each of the industrial divisions had improved although the agricultin water for the project, was the achievements of the new improved although the agricultin in 1985 Aberioyle set up the after tax of £532,000 (£82,000) and minorities of £365,000, earnings per share came out at 1.39p (1.2p). An extraordinary gain of £103,000 (£15,000 loss) resulted from appreciation of the Zimbab-improved although the agricultin 1985 Aberioyle set up the after tax of £532,000 (£82,000) and minorities of £365,000, earnings per share came out at 1.39p (1.2p). An district tax of £532,000 (£32,000) and minorities of £365,000 (£315,000), earnings per share came out at 1.39p (1.2p). An district tax of £532,000 (£32,000) and minorities of £365,000 (£315,000), earnings per share came out at 1.39p (1.2p). An district tax of £532,000 (£32,000) and minorities of £365,000 (£315,000), earnings per share came out at 1.39p (1.2p). An district tax of £532,000 (£32,000) (£32,000) and minorities of £365,000 (£315,000), earnings per share came out at 1.39p (1.2p). An district tax of £532,000 (£315,000) (£315,000), earnings per share came out at 1.39p (1.2p). An district tax of £532,000 (£315,000) (£315,000), earnings per share came out at 1.39p (1.2p). An extraordinary gain of £103,000 (£15,000) (£15,000 loss) resulted from appreciation of the Zimbab (£15,000) (£15,000 loss) resulted from appreciation of the Zimbab (£15,000) (£15,000 loss) resulted from appreciation of the Zimbab (£15,000 loss) resulted from apprec

Mrs Fields achieves a sharp reduction in losses

MRS FIELDS, the USM-quoted some additional repayment of cookie and other speciality long term debt. foods producer and retailer, reported sharply-reduced losses in the six months to June 30 from \$15.08m to \$1.31m (£828,000). Last year there was an exceptional \$15.4m to cover store closures.

The board said the traditional stronger second half had started well and it was anticipated that cash flow for the full year would exceed the company's capital expenditure requirements and may allow

They said that as an indica-tion of the continuing trading improvement, if current trends were maintained it was the intention of the board to resume dividends with a payment next June.

Turnover in the period excluding that of an affiliate was \$60.19m (\$52.84m); interest was higher at \$4.22m (\$2.5m) emerged at \$0.01 (\$0.10).

Norex US offshoot in black

\$3.9m last time and came from disposal of its assets. turnover reduced from \$59.5m to \$55.2m. Earnings per share

Norex, the UK shipping and insurance group, reported a return to the black in the year to end-June at Norex America, its US subsidiary.

The profits figure of \$13.5m (£8.5m) compares with a loss of May, and a gain of \$11.9m on dispersal of its assets.

were from the interest on the company's substantial cash.

FKB to pay maximum \$22.5m for US medical consultancy

FKB GROUP, the acquisitive sales promotion and marketing company, is buying a New York-based medical and healthcare marketing consultancy, called Audio Visual Medical Marketing, for a maximum of \$22.5m.(£14.23m).

AVMM, together with its two associate companies - Pharma-

centical Services international and Data Med Communications specialise in providing mar-keting support for pharmaceutical products and for new product launches. Clients range from Glaxo to the likes of Ciba Geiby, with the three largest customers - Glaxo,

Warner Lambert and Parke notes, which are realisable in Davis - accounting for about January 1990. 45 per cent of the

adjusting for directors' remu-neration), with annual sales at least \$1.15m.

The initial consideration is The remainder comes in loan ing otherwise.

Additional stage payments may also be made, dependent The company, which was on average post-tax profits in formed in 1978, made a pre-tax profit of \$846,000 in 1988 (after December 1992. The maximum additional consideration would be \$18.5m. At the option of running at around \$10m. The FKB, one-fifth of this sum vendors have warranted that could be satisfied in the FKB net assets at completion will be shares - again to be retained by the vendors for at least 18

\$3.5m, of which \$500,000 is being satisfied in FKB shares, which the vendors have agreed a specialised area, which it to retain for at least 18 months. would have difficulty develop-

WB £6m rights and purchases

Midlands-based manufacturer of springs and presses, yester-day announced the acquisition of two spring manufacturers and a five-for-two rights issue to raise about £5.75m.

The acquisitions are the latest and largest step in the restructuring of the group after it came under new manage-ment in April when Mr Graham Avery replaced Mr David Cooper-Smith as chairman. Since then, the capital struc-ture has been rationalised and a number of spring manufac-turing companies have been

acquired.
WB is buying Elson & Robbins, which supplies spring units to bed manufacturers and makes vehicle seats, and CMT Springs, which makes

INDUSTRIES, the coiled springs. WB is also taking a 75 per cent stake in Infostock, a company which has entered into a conditional contract to acquire a specialist gearbox business and certain assets of Bus Engineering

> The combined consideration for the acquisitions is to be satisfied by a payment of about £4.4m in cash and the issue of 2.04m new shares. In 1988, E&R, which is by far

the largest of the acquisitions, achieved pre-tax profits of £964,000 on sales of £15.44m. The fall in profits from £1.65m in 1987 reflected production difficulties following a change in specification of foam raw mate-rials and the costs incurred in the modernisation of its bed spring factories.

The size of E&R, the turnover of which is almost five times larger than that of lossmaking WB, means that the acquisition is regarded as a reverse takeover under stock exchange regulations. Shares have been suspended at 75p since September 15 when plans for the acquisitions were

announced. The cash element of the consideration will be met through the rights issue. Shares are 25p, reflecting the fact that the rights issue is not underwrit-

Mr Avery said that "the acquisitions represent a major step forward by the company under its new management to become a market leader in the spring industry.'

Heywood Williams £7.5m acquisition

By Clare Pearson

glass and aluminium product specialist, is adding to its interests in plastic extrusion with the purchase of Gloucesterbased Gloster Plastics for a maximum consideration of

Mr Michael Broadhead, finance director, said Gloplas provided an opportunity to build on Heywood Williams' initial move into plastic extru-sion with the purchase of Viny-

£7.5m in cash.

HEYWOOD WILLIAMS, the lex Window Systems, also based in Gloucester, in

But the main focus of the company's acquisition strategy remained the Continent, he said. Continental and US operations accounted for all Heywood William's growth in profits to £15.31m (£13.1m) in the half-year to end-June. The initial consideration for

Gloplas is £2.81m. An additional consideration is payable

up to the equivalent of 2.6 times pre-tax profits in excess of £500,000 per annum for the period from 1st July 1989 to 31st 1991. Gloplas made pre-tax profits of £390,928 on turnover of £3.86m in the eight months

Mr Ralph Hinchliffe, Hey-wood's chairman, warned in August that high interest rates in the UK were reducing demand for the group's prod-

New product behind S&U's 38% rise

THE INTRODUCTION of a new of July this Birmingham-based company was continuing to credit facility helped S&U consumer credit, television Stores increase interim pre-tax rental and hosiery manufactur-Stores increase interim pre-tax profits by 38 per cent. Mr Derek Coombs, chairman, said that its Premier Loan had been well received and was proving

ing company reported profits of £1.07m, against £775,000. Turnover rose from £18.15m to £20.48m, an increase of 13 per

In the six months to the end Mr Coombs added that the

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After tax of £375,000 (£272,000) earnings per share were 6.73p (4.64p) or 6.46p (4.47p) fully diluted. The interim dividend is being

The remaining earnings



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£600,000,000

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UK COMPANY NEWS

As UK sales tumble 190 jobs are shed and stock levels are squeezed to reduce gearing | US link in

Savage meets lowered expectations with £7.3m

SAVAGE Group, the USM-quoted DIY and hardware concern, managed to live up to making a profit of £7.29m for the 12 months to June 30. Earnings per share fell from 13.4p to

The pre-tax figure, which is 5 per cent up on last year's £6.96m, is in line with forecasts that were slashed from £11m to £7m after a profits warning in August. The company was hit by the alump in the housing market, by good weather deter-ring indoor DIY and by rising interest charges.
Turnover rose to £119.96m

(£61.95m) in a year which saw an encouraging first full-year

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FINANCIAL TIMES

BSN RISES...

french francs a year earlier, a gain of 12.4 %.

not consolidated in the first half 1989 figures.

The breakdown by Division was as follows:

Dairy Products

Grocery Products

Divisional operating income.....

Less: unallocated income

1988 period.

six months of 1988.

(millions of french francs)

please contact:

contribution from Groupe Tri-plex, in France, and six further acquisitions in the UK, West Germany, France, the Nether-lands and Belgium.

Although Savage's continen-tal moves have taken the percentage of sales anchored to the UK from more than 70 per cent three years ago to less than 50 per cent now, the profits blow came firmly and sud-denly in the UK. "Trading in the final quarter, which is nor-mally our best, was particu-larly disappointing," said Mr David Stephens, finance direc-

tor.
"The most directly hit were
the DIY multiples and the subsidiaries of ours which sell to

them." People spent more on home improvements after they moved house, he said, and the mortgage rate rises had put the brake on that.

To keep the company profitable on lower sales volumes, the cost-cutting had included shedding 190 of the 1,000-strong workforce, reducing the promo-tions budget and putting the squeeze on stock levels, but the main effect filtered through

after the year end.

The last measure in particular would help to reduce gearing from its level of 90 per cent in June, said Mr Stephens. Interest payments of £2.38m (£893,000) were more than four times covered by profits before

interest and tax.
Mr Stephens said it was not long since the fast growing group had operated profitably at significantly lower levels of turnover, so it would not be a big problem to wind back to those levels.

• COMMENT The tumbling profit forecasts speak volumes for the difficulspeak volumes for the unitari-ties faced by Savage. For the current year, a figure of £14.4m was being forecast as late as July; then the August warning sparked a typical adjustment of from £13m to £9m. And the

rethink goes on: a profit of £81/m would give a prospective

multiple of 9.3. It all goes to

market is in the doldrums. UK sales are expected to be about 10 per cent down this year. The company's case is that its worth an annualised £3.5m, demonstrates that it can man-age recession as well as growth. It also expects to improve margins in France, improve margins in France, where 35 per cent of its business lies. A less charitable view is that, with the company suffering both directly and indirectly from high interest rates, profits for this year might be only £7.5m. The shares slipped from 98p to 98p yesterday.

fabrics for show that having a good market share is no fun when that **Parkland** By Alice Rawsthorn PARKLAND TEXTILE, the Yorkshire wool textile com-pany, is joining forces with Guilford Mills, one of the larg-est US textile groups, to diver-sify into the automotive fabrics market.

The two companies plan to manufacture woven fabrics for use in the car industry at Parkland's Park Valley Mills plant in Huddersfield. Parkland and Guilford have formed a joint venture to re-equip and adapt the existing production facilities for the automotive market.

automotive

market.

The new business will con-

centrate on producing fabric for upholstery, door panels and headlinings. It is expected

to generate turnover of around 210m within four years. Parkland, which is one of

the larger Yorkshire weavers, sees the joint venture as a way of broadening the base of its business by moving into a new market which will be counter-

cyclical to its traditional tex-

tile interests. At present the climate in traditional textiles

is intensely competitive. The new venture will also fit with

its yarn dyeing business, which is already in the auto-

Guilford Mills is a leading

player in the international

market for automotive and

market for automotive and apparel warp kniiting through its interests in the US and Europe. Guilford's European subsidiary supplies warp kniited automotive fabrics from its plants in the Midlands and East Anglia.

ISA Inti rises

38% to £1.45m

ISA International,

distributor of branded con-

sumables for information pro-cessing equipment, hoisted pre-tax profits for the six months to June 30 by 38 per cent from £1.05m to £1.45m.

This was achieved on turnover

up 57 per cent from £11.53m to

tribution from Edinburgh-based Computer Supplies, acquired in September 1988. Mr John Parkinson, ISA chair-

man, said that if that contribu-

tion was stripped out, the increase in both profits and

turnover would have been 34

per cent. The interim dividend is lifted to 0.36p (0.3p).

The results included the con-

motive market.

Sunleigh sports clothes buy

SUNLEIGH is deepening its involvement in sports clothing and accessories through the purchase of Associated Supplies, a supplier of crested lei-

sure wear, for a maximum con-sideration of £3.2m. USM-quoted Sunleigh's other interests are in electrical and electronics manufacture. Its product Powa Kaddy, an automated golfer's caddie machine, provided an opening for its move into sportswear.

Mr Tony Merryweather, chairman, said Associated Sup-plies' products would complement the Aquatique all-

weather clothing range launched by the Powa Kaddy subsidiary at this year's Open Golfing Championship in July.

Initial consideration for Associated Supplies is £1.3m to be satisfied by a vendor plac-ing of 1.97m new ordinary shares. The deferred payment, to be made in shares, depends on profits up to end-December

Associated Supplies has warranted profits after 35 per cent tax of not less than £192,000 for the year to end-December. Warranted net assets are not less than £250,000. The ven-

dors. Mr and Mrs R Flower, are joining Sunielgh.
Mr Merryweather said Sun-leigh, which announced pre-tax profits of £1.41m (£1.04m) on sales of £11.5m (£9.1m) for the half-year to July 1, was still keen to make further acquisi-

tions. But in the current state of the stock market it ruled out the kind of very big purchase which he said earlier in the year the company was seeking. Babcock International has said it intends to maintain its stake in Sunleigh at not less than 20 per cent, Mr Merry-weather added.

SHARE STAKES

The following changes in company share stakes amounced recently include: Adwest Group: J Saville Gor-don (Commodities) and JD Saville, its director, together hold 3.43m ordinary (5.38 per cent). Aithen Hume International: Fiduciary Management Services has increased its holding to 4.54m ordinary (9.24 per cent) with the purchase of

Armstrong Equipment: JH Fenner has lifted its holding to 2.91m (5.46 per cent) with the acquisition of 50,000 ordinary

at 185p each.

Baldwin: Satyendra Singh has acquired 133,989 ordinary to bring his holding to 1.01m (6.27

per cent).
British Mohair: Lawrie Group
has increased its holding to
3.61m ordinary (27.19 per cent) with the acquisition of 45,000. BSG International: Sir Ron Brierley holds, through IEP Securities, a subsidiary of Industrial Equity (Pacific), 25.46m ordinary (12.57 per

Builder Group: EMAP has acquired a further 200,000 ordinary, bringing its notifiable interest to 1.7m (10.33 per

Casket: York Trust has acquired, on behalf of other parties, 285,000 ordinary to lift its total to 6.86m (18.2 per

Charterhall: Wyncon, a subsidlary of Westmex, has raised its holding to 277.91m ordinary (56.59 per cent) with the purchase of 3.45m.

Clarke Nickolls & Coombs: Channel Hotels & Properties and Lloyds Bank (in its capacity as nominee) have increased their interest to 2.48m (11.98 per cent) from 2.08m (10 per cent).

Colorvision: Edinburgh Fund Managers has bought 515,000

06/30/1988

460 421

414

286 357

2,356

(57)

ordinary from three directors for 135p per share. Mr Neville Michaelson has sold 200,000, reducing his holding to 9.78m (48.67 per cent), Mr Bernard Michaelson has sold 294,000, reducing his holding to 4.08m (20.32 per cent), and Mr Nigel Elton has sold 20,700, reducing his holding to 610,740 (3.04 per

Daks Simpson: Mrs SM Diamond has reduced her holding to 77,000 (7 per cent) with the disposal of 1,000 shares at £18.30 per share.

Dalgety: Carisbrook Holdings
(UK) has transferred 122m (5.5
per cent) shares to Como International. Como is 50 per cent
owned by Carisbrook and 50
per cent by subsidiaries of
Société Nationale Elf Aquitaine. Carisbrook's ultimate owner is Mr Robert Holmes à

Delaney Group: Mr NR Puri, chairman of Melton Medes and non-executive director of Delaney, has sold 40,000 ordinary at 70p per share. Melton Medes' interest continues to be 29.62

per cent. EIS Group: M&G Group has increased its holding to 2.09m ordinary (7.4 per cent). Five Oaks Investments: Govett

Strategic Investment Trust has lifted it holding to 11.45m ordinary (24.3 per cent) with the purchase of 204,371. London Securities has bought 3.46m, bringing its holding to 6.41m

(13.59 per cent). Gartmore Value Investments: John Govett, acting on behalf of clients under its discretionary investment management, has an interest in 6.5im ordi-nary (13.09 per cent). The shares are held on behalf of its clients as follows: Govett Stra-tegic (West Nominees) Invest-ment Trust 5m (10.06 per cent) and Dalgety Pension (West Nominees) Fund 1.51m (3.03

Geest: Mr LW van Geest, a director, has sold 320,000 ordi-nary at 287p per share. Hambro Countrywide: Ham bros has acquired 14.82m at 38p per share, bringing its holding to 168.55m (51.63 per cent). Guardian Royal Exchange has

also acquired 14.82m at the same price, lifting its holding same price, inting its noming to 70.27m (21.52 per cent). Hanover Druce: SA Goldstein has acquired 25,000 shares at 120p, raising the total holding to 433,035 (7.03 per cent). International Communication and Date: Mr. D. Tinger a

and Data: Mr DZ Unger, a director, has disposed of 75,000 ordinary leaving his holding at 812,153 shares (4.89 per cent). Lee (Arthur) & Sons: GMF (Investments) is now interested in 4.38m ordinary (13.34 per

Medminster: Robert Fleming & Co has bought 765,960 ordinary (9.99 per cent). Also Mr HR Moszkowicz has increased his holding to 775,000 shares (10.09

Molynx Holdings: E Walters, a director, has acquired 6,000 ordinary at 128p per share, bringing the holding to 407,000 (5.26 per cent). MS International: MS Interna-

tional Pension Fund has increased its holding of MS International ordinary shares from 7.99 per cent to 8.08 per

cent. Normans Group: PS Allen has acquired 10,000 5 per cent cumulative preference shares, raising the total holding to

22,980 (31.4 per cent).

Personal Assets Trust: Mr JG
Gammell, chairman, has
bought 5,000 ordinary, lifting his holding to 6.33 per cent.
PML Group: Mr Joseph C
Lewis has acquired 141,900
ordinary bringing his total
holding to 8,912,600 (20.26 per cent).

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Transformed Cluff achieves nine times profits jump By Kenneth Gooding, Mining Correspondent

CLUFF RESOURCES, the USM-quoted concern which has been transformed from a lossmaking minor oil company into a profitable medium-sized gold mining group, increased taxable profit by more than nine times in the half-year to June 30, from £84,000 to £790,000.

2790,000.

"Profit for the full year should be significantly above that of 1988," said Mr JG "Algy" Cluff, chairman.

He revealed that the group was on course to produce 70,000 troy ounces of gold this year compared with 23,200 ounces for the whole of 1988 ounces for the whole of 1988 and 29,224 in the first half of the current year.
Mr Cluff added that there

was a good prospect of Chuff paying the first dividend in its 16-year history — but a final decision would depend on whether the gold bullion price weakened substantially and/or whether there were any serious interruptions to its gold

output.
The company would prefer to spend its money on dividends rather than paying for a full London Stock Exchange quotation although, inevitably, at some time in the future it would go for a full flotation, he

Mr Chuff said that the company's "responsible objective" was to have established within 18 months that it had the resources to produce 200,000 ounces of gold a year.

During the first half Cluff

received £225 an ounce for its gold, equivalent to US\$377. Production costs were \$252 an ounce and Mr Mark Ashley, finance director, said the cost would fall to \$240 when output reached an annual rate of 78,000 ounces.

Most of Cluff's gold is produced in Zimbabwe and must be sold to the reserve bank. However, Zimhabwe has set up a Z\$15m fund and promised to provide a Z\$700 an ounce (about \$320) floor price for gold mined in the country. Turnover rose from £1.88m

to £6.8m in the half-year. The operating profit was £1.02m (£120,000 loss) and the net profit, up from £61,000 to £520,000, represented 1,12p a share (0.13p). Output in Zimbabwe was

reduced by heavier than expec-ted rains in January and a short stoppage caused by an abnormal breakdown of two



Algy Cluff: money on dividends rather than full listing

transformers at Bindura in

June. Mr Cluff said the Royal Fambabwe, exceeded its production target by 12.5 per cent. But he repeated his warning that the mine, which produces 6,000 ounces of gold a year, was likely to close next spring although exploration work was attempting to find new gold

reserves.
Engineering studies showed that 681,000 ounces of the 1m ounces in the reserves of the Freda/Rebacca mine in Zimbabwe could be recovered by

open-pit mining. The contribution of the Transcaccion mine in Spain, a joint venture with the Antofagasta group, will be only "modest" this year because of war-ous start-up problems and Cluff's share will be only about 5,000 ounces next year.

"We spant a great deal of time for little return so far," Mr Cluff admitted. "But it is good to have a production base in Europe and we hope to

expand in Spain."

However, most of Cluff's energies outside Zimbabwe would be concentrated on

floating separately its whollyowned oil and gas subsidiary because the offshoot did not need the cash and the process would divert management attention, said Mr Cluff.

NORTH CAROLINA

The Financial Times proposes to publish this survey on:

24th October 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES

SCHRODER INTERNATIONAL SELECTION FUND SICAV formerly
TRAFALGAR FUND S.A. R.C. B 8.202 Registered Office: Luxembourg, 14, rue Aldringen

On January 31, 1989, the extraordinary meeting of shareholders of TRAFALGAR FUND S.A. (the "Fund") resolved to change the form and name of the Fund, as well as its duration into a "societé d'investissement à capital variable" (SICAV), established for an unlimited period under the name of SCHRODER INTERNATIONAL SELECTION FUND (the "Company"), of which TRAFALGAR FUND will become one of several classes of shares.

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THE TIME BOMB

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ИРНЖХ

Total gross operating income In the 1989 period, Vandamme Pie Qui Chante was transfered from Grocery Products division to Biscuits Division; six-month figures 1988 were restated. The BSN six-month figures were subjected to specific examinations by the statutory auditors who have supplied their certificate of approval as prescribed by law.

The results achieved during the first hal period and the beginning of the second half period, helped by favorable weather conditions, suggests that reasonnable growth of net income may be recorded for the full year 1989.

1,413 MILLION FRENCH FRANCS PROFIT FOR THE FIRST HALF OF 1989

Consolidated sales of BSN during the first six months of 1989, ended June 30, came

to 23.2 billion french francs, against 20.7 billion french francs in the corresponding

In the 1989 period, net income was 1,413 million french francs against 1,257 million

The net income includes, first, a capital gain resulting from the divestiture of the operations in subcontracting in the biscuit sector in the U.S. and, second, financial costs

associated with the acquisition of the Nabisco biscuit companies, whose results are

Operating income after depreciation but before net interest expenses and taxes amounted to 2,550 million french francs against 2,299 million french francs during the first

06/30/1989

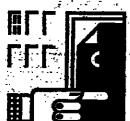
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2,654



FRANCE'S LEADING FOOD AND BEVERAGE GROUP



The exchange of ... ideas is nothing new, but industrialists,

politicians and scientists throughout

the world are attaching greater importance to research and

development. Technology transfer, reports Clive Cookson, is now the

buzz phrase of economic policy

Spreading the word on ideas

PEOPLE HAVE been transferring technology ever since the first stone age tribes exchanged ideas for making flint implements. But only in the 1980s has technology transfer been generally recognised as an important activity for stimulating economic growth.

Technology transfer is now a
buzz phrase of industrial policy. Governments worldwide are changing their support for industrial research and development in a way that requires companies to work with other companies or with university partners in collaborative pro-

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nology transfer. Besides these collaborative research programmes, governments are encouraging technology transfer directly through programmes to dis-seminate scientific and technical information and to put companies in touch with sources of innovation. In the UK, the Department of Trade and Industry spent £92m in 1988/89 and expects to spend £124m in 1989/90 on technology

jects designed to facilitate tech-

Companies are doing more to seek out technology that might be worth exploiting. They are looking in universities and research institutions and in other companies, large and

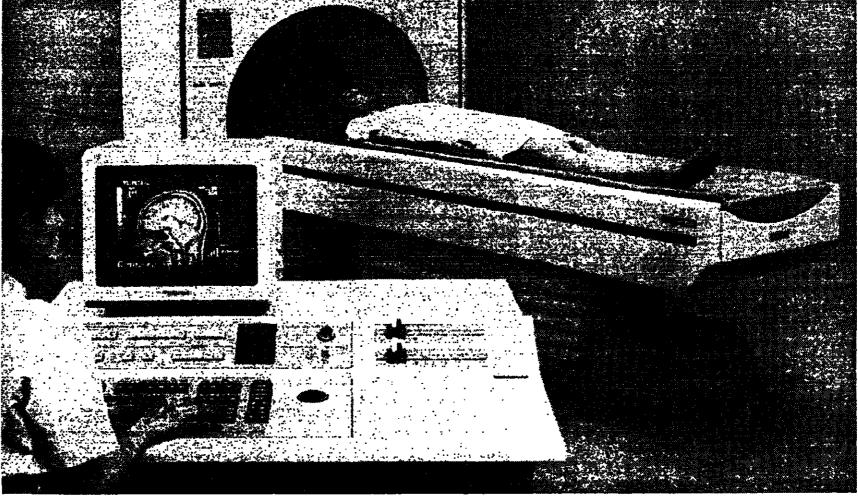
Many large companies have a clearly defined technology transfer unit, whose mission is to bring in ideas from outside and/or to find partners to help exploit in-house developments.

One example is Project Extra, run by GKN, the UK engineering group, in Europe and the US. The Project Extra team works to seek out and support the development, production and marketing of automotive components originated by third parties. During the three years it has been in existence, Project Extra has exam-ined hundreds of proposals from individual inventors and companies, and several are close to being manufactured and marketed by GKN. Project Extra is meticulous

in advising inventors on the importance of patent applica-tions when negotiating with a large company such as GKN," the company says.

The increasing importance of

technology transfer to government and industry is stimulating the growth of independent echnology brokers, who make a living as intermediaries between sellers and users of technology. They range from individual technology transfer agents to the state-owned Brit-ish Technology Group (BTG),



Breakthrough in medical diagnosis: Magnetic Resonance Imaging, licensed by British Technology Group to healthcare groups in US, Japan and Europe

Technology Transfer

which was formed out in 1981 through the amalgamation of the National Enterprise Board and the National Research and Development Corporation and claims to be the largest technology transfer organisation in the world, with more than 2,700 licencing agreements to

Most brokers still concen-trate on the limited role of arranging a licencing agreement between the originator of the technology and the company exploiting the work. But there is a growing trend for technology transfer companies to play a much wider role - helping with market research, business

planning and fund-raising. Some technology transfer companies result from initiatives to commercialise research carried out in large govern-ment agencies. A striking UK example is Defence Technology Enterprises (OTE), set up four years ago through a joint ini-tiative by the Ministry of Defence and a consortium of venture capital companies.

More than half of all UK government R&D spending is for defence, and some science policy analysts argue that most of this is, in commercial terms, wasted. Indeed it has been claimed that the UK's high spending on defence research compared to other countries has starved civil R&D of funds and is partly responsible for the country's poor industrial performance since the war.

DTE is intended to counter such criticism by identifying developments in MoD research establishments which could have civil applications, and then helping to commercialise them. The record so far is encouraging. DTE already has 50 licensing deals to its credit and several of the resulting products are being marketed internationally. DTE expects sales of its spin-off products to

reach "many hundreds of mil-

lions of pounds" over the next

Drawing on its experience with the MoD, DTE is moving on to commercialise technology from other sources, including non-military government laboratories and large compa-nies such as British Aerospace.

Another big new player in the technology transfer market is AEA Technology, the com-mercial arm of the UK Atomic Energy Authority. Its mission is to apply outside the nuclear industry the very wide range of technological expertise which the AEA has acquired as the body responsible for devel-

oping nuclear power in the UK.
With government spending
on nuclear R&D expected to fall over the next few years, AEA Technology is an ambi-tious attempt to fill the gap by bringing in millions of pounds a year from industry. Its activities span aerospace, defence, oil and gas, manufacturing,

mental services - and even

Yet AEA Technology is not primarily a technology transfer business in the same way as BTG or DTE. Its main mission is not to license companies to commercialise the results of AEA research but to sell the AEA's services in contract R&D, engineering, technical services and consultancy.

Thus AEA Technology has more in common with the UK's thriving independent research and technology sector. The 45 research and technology organ-isations that belong to the Association of Independent Research and Technology Organisations (AIRTO) have a total turnover of 2278m and staff of 9,300.

Ten years ago, such organi-sations were rather moribund industrial research associations, dependent on govern-ment contracts and on income from member companies col-

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process industries, environ- laboratively sponsoring research in a particular indus-trial field. Today they are far more responsive to the needs of the market, and depend on specific industrial contracts for research, development and consultancy.

> These organisations have become more commercially oriented, controlled by boards of directors rather than councils of members. And they have dropped their old-fashioned names in favour of snappy acronyms; there is no quicker way to irritate one of the new breed of managers at, say, Pera or Sira than to refer to the Production Engineering Research Association or the Scientific Instrument Research Association.

> The new-style research and technology organisations have far more technology transfer activities than the old research associations. They are increas-

CONTENTS

The Government approach; Role of the universities

British Technology Group; Licensing and patents

Japan; USSR:

ingly organising joint ventures collaborative projects, both in the UK and in Europe, making use of the growing array of EC research programmes. They are playing an important role too in transferring technology between different industries.

The higher education sector is also taking a far more active role than 10 years ago in transferring the results of academic research into industry. This is partly because of the growing financial pressure from the Government for universities and polytechnics to find alternative sources of income. In the process, higher education institutions have formed a large variety of new links with

industry.

Almost every UK university and polytechnic now has an industrial liaison unit designed to promote technology transhave gone much further in this direction. As a recent report by the National Economic Development Council points out, Massachusetts Institute of Technology employs more industrial liaison officers than the entire number in British universities.

University companies are emerging as an important transfer mechanism and some universities have shareholdings in several companies, ranging from 100 per cent down to small minority stakes. Last week for example, Isis Innovation, Oxford University's wholly owned technology transfer company, launched its first spin-off venture, Oxford

Molecular. Oxford Molecular's business will be to market computer graphics software for molecu-lar modelling to science-based companies developing new pharmaceutical and agricultural chemicals.

Initial sales will come from exclusive licenses on modelling programs developed at Oxford over the past 20 years. Several UK and US venture capital finds are investing in Oxford Molecular, but the university keeps a 30 per cent equity stake in exchange for its intel-

lectual property.
University College, London, is launching its new company UCLL at New Techmart '89, the showcase for innovation, inventions and technology transfer, which is on at the National Exhibition Centre, Birmingham, until Thursday.

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We have been advertising our technology marketing services in the FT since June. We have now received about 50 responses - some very interesting UK blue chip enquiries, but about 30 overseas enquiries. It would appear the FT's Technology Page and the FT's "Technology Market" have a very wide international readership, including Kenya, Indonesia, India, Japan, Brazil, the United States, and some of the EEC countries.

Advertising, as we all know, is an expensive bosiness, but dipping our particular toes into advertising in the FT has proved to us to be very cost effective.

This "Classified Technology" idea is simply to help those with low-to-zero promotional budgets in small companies, R&D Departments, Univer-sities, Polytechnics, the inventing public, to get their message across, and promote their ideas inventions - patents - licences - in the international market place for £100/£200 plus VAT per insert.

Whether this one half page advertisement in the FT will develop into a regular "Classified Technology" advertising format, I have no idea. I thought it was worth trying as a pilot exercise just to see what the response to both advertiser and the concept would be

Today's advertisement comprises technology offerors, but if "Classified Technology" develops, it will obviously appeal to technology seekers as well because of the FT's considerable overseas readership.

The SIL box number response system is to protect confidentiality and to keep the space cost down. We will just fax responses to the originators of each advertisement, and copy you.

If you think this "Classified Technology" idea merits further discussion or support, please contact: Paul Cantley

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Collaboration is the name of the game

THE ATTITUDE of governments to technology transfer has changed radically over the last decade or so.

Governments have not only set up a host of programm specifically to encourage tech-nology transfer but also, and overhauled the structure of support for industrial research and development in a way that forces companies and institutions to work together on R&D projects. Technology transfer inevitably takes place between the partners collaborating on a

project.
The UK Government is a good example of this new approach. The Department of Trade and Industry used to have a substantial budget for promoting R&D projects within single companies. But these programmes have been phased out during the 1980s. It is now virtually impossible for any company to obtain DTI funds for industrial research without collaborating with a university and/or another company.

The Alvey programme for collaborative research on advanced information technology, launched in 1983 and wound_up last year, led the way. The largest UK programme for university/industry research is Link, which covers a very wide range of R&D projects.

The DTI also runs several programmes that are intended

The largest UK programme for university/industry research is Link

to support technology transfer more directly. These include: • Four specific programmes designed to spread information about advanced information technology, open systems, advanced electronics and mate-rials. These are intended to ncrease the awareness of the latest technological develop-ments in these fields, through mixture of: brochures and videos; workshops, seminars and conferences; case studies; advice from centres of expertise; and demonstration projects where users can practical examples in action.

 A network of 14 regional technology centres, involving universities, polytechnics and colleges working with local companies to: collect information about new technologies; potential users in business and education; provide advice and consultancy services; and provide training and re-training for companies introducing technology.

The longest established RTC is the north west technology centre, known as Nimtech. Established three years ago in ratory) play a leading role in

Skeimersdale, Lancashire, it is a thriving network with more than 100 members, ranging from multinationals and uni-versities to small companies with only a handful of employees. The heart of Nimtech is a computerised directory of the technology available from or sought by member organisa-tions, and there is a group of technology transfer managers to help forge technological links between them.

• The Teaching Company scheme, managed by the Science and Engineering Research Council. This aims to transfer technology between universi-ties and companies and train postgraduate students for careers in industry. Each student spends two years working on a specific project in a com-pany. About 300 companies are involved and the aim is to expand it to 500 by bringing in

smaller companies.

● Research clubs. DTI supports more than 100 research consortia which bring together companies with common interests in particular technical areas. Some conduct collaborative research programmes while many spread information and promote technology transfer. The four DTI research establishments (Laboratory of the Government Chemist, National Engineering Labora-



National Physical Laboratory, one of four DTI research centres

Transferring technology from overseas. A recent report from the National Economic Development Office on technology transfer mechanisms points out the "disturbing" fact that the UK has a "positive bal-ance of trade" in international know-how exchanges. It gains more money from licensing British technology overseas than it spends importing technology, this is in marked contrast to Japan which has a

large negative balance.
Although the UK maintains scientific counsellors at several embassies overseas and gathers technical information from

commercial/economic posts elsewhere, the NEDO report says: "In comparison to the vigorous efforts of the Japa-

se, the British commitment

to technology importation is

hardly impressive. The DTI tries to disseminate the information that reaches Whitehall from British embassies as widely as possible. The main vehicle is the Overseas Technical Information Service (OTIS), operated for DTI by PERA, the independent research organisation based at Melton Mowbray, Leicestershire. OTIS subscribers receive regular summaries of incoming data relevant to their fields of interest. They have access to the OTIS database by com-

The Government's industrial policies have to mesh in with those of the European Commu-nity. By their nature, all EC programmes which support R&D involve participants from several member countries and international technology transfer inevitably takes place.

In addition, like the UK and other national governments, the EC runs programmes spe-cifically intended to promote technology transfer. The most important is the Strategic Programme for innovation and Technology Transfer, known as Sprint. This has just completed a five-year pilot programme and is beginning its main phase with 90m ECU (about 250m) funding over the next five years.

Sprint's main objective is to "build a Community-wide infrastructure for supporting | cal concerns providing the innovation in European compa-nies." It has set up about 50 | housed on their usually eletransnational technology transfer networks involving 150 agencies, small and large, public and private. In the next phase it aims to fund a number of larger projects to demon-strate technology transfer in specific fields.

Sprint has helped to establish a European association of technology transfer specialists, TII (standing for Technology, Innovation, Information), based in Luxembourg. TII is organising a large interna-tional conference on technology transfer in Nice on October 26/27.

Technology Transfer Mechanisms in the UR & Leading Competitor Nations, NEDO, Millbank Tower, London SWIP 4QX, £50

There is much commercial activity in academia

Little time for play in the science parks

EXPECT A quickening in the pace of technology transfer activities in Britain's universities and polytechnics over the next few years, as higher edu-cation sets out to raise more finance from the private sector.

The changed climate in higher education in the 1980s has produced most universities and polytechnics to become more professional in their rela-tions with business over the past few years.

Government Ministers never tire of exhorting the country's higher education institutions to forge closer links with industry. Research pro-grammes such as the Alvey work in information technol ogy were constructed with the express purpose of encouraging loser collaboration between cademia and business

In 1982, there were just two science parks: at Cambridge and Edinburgh

The Government has under pinned these exhortations by squeezing its flow of cash to the colleges and, equally important, making it clear tha the country's academics will have to look to the private sector to fund the bulk of any expansion in their sector. The result has been an

upsurge in commercially oriented activity in academia. Universities and polytechnics have developed their industrial links in somewhat different ways, drawing on their own strengths and traditions, but a number of broad trends can be discerned.

Perhaps the most visible is the science park movement. In 1982, there were just two science parks: at Cambridge and Edinburgh's Heriot-Watt university. Cambridge still boasts the best known and easily the largest of Britain's science parks, but in the mid-1980s many other universities followed its lead. By last year, the 38 parks which were up and running had generated 10,540 jobs and had drawn in £171m in investment

The science parks have acted as a focus for genuine high tech companies, with electronics and chemical/pharmaceutigantly landscaped sites.

Yet the new wave of science parks may not meet all the hopes of their academic sponsors, once the winners sort themselves out from the also rans. As Mr David Rowe of Warwick University's science park puts it: "Universities who look upon the prospect of a science park as merely a captive local group of companies from whom they can gain lucrative research and development contracts are in for a disappoint-

A lot of hard work has been put into building up Warwick's park. Mr Kumar Bhattacharyya, the university's entrepreneurial professor of manufacturing systems engineering, realised that many high tech

GROWTH IN UK SCIENCE PARKS Coerating contracts with business companies were not repre-

companies were not represented in the university's immediate geographical locality. So he went out and sold the park, managing to persuade several big names, such as Prime Computer of the US, to take space in the park.

Many universities have overhauled their administrative

structures to give sharper focus to their technology transfer efforts. One of the most striking

examples is the announcement this month that Imperial College. London is to appoint a managing director, the first such appointment by a leading UK university institution. One of the main tasks in this new position for Mr Angus Fraser, a former director of Chloride, the batteries group, will be to build up Imperial's income from the private sector. Similarly, University College, London is sharpening its

Some of these are of a size that are significant by any standards. Two years ago, for instance, E R Squibb, the large US pharmaceuticals group, awarded Oxford University a seven-year £20m grant, consisting of £6.4m for a new pharmaceology department. £3.2m cology department, £3.2m towards the department's running costs and £10.4m for The

research projects.

The unusual feature of the Squibb-Oxford collaboration is that the university's pharmacology department has agreed to submit, at its discretion, projects to Squibb in five areas: degenerative diseases of the central nervous system, epilepsy, psychosis, control of blood pressure and the peripheral autonomic nervous system. Squibb has exclusive rights to the results of those research projects which it chooses to fund from those

By last year, the 38 parks which were up and running had generated 10,540 jobs and had drawn in £171m of investment

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commercial focus under the leadership of its new provost, Mr Derek Roberts, formerly technical director of the General Electric Company. In September, Mr Roberts announc the formation of a wholly owned subsidiary of the col-lege, UCLi, to be responsible for all its research contracts, patents and short professional

For most colleges, the first step in this administrative overhaul came earlier in the decade when they tightened up on their handling of the patents that flow from their academics' discoveries. Some university heads admit they lost income running into millions of pounds thanks to

sloppy patent administration.
The decision, in 1985, to strip
the British Technology Group
of its right to exploit commercial inventions arising out of research funded by the UK research councils gave higher education an extra spur to exploit their research aggres-

spin-off companies, joint ventures and innovative research submitted by Oxford. Oxford's wide-ranging agree ment with Squibb is not the general pattern. Most technol-ogy transfer from the universities takes the form of one-off commissions pursued by indi-vidual groups of researchers in closely-defined areas.

The industrial liaison office at Manchester University's Institute of Science and Technology, one of the best generators, in terms of percentage share of income from industry to a university, can real off a dozen industrial projects on which its academics are

engaged.
One example is Umist's Corrosion and Protection Centre Industrial Services (CAPCIS). son unit in 1978 and now employs 50 full-time workers. It boasts a long list of blue chip clients for its anti-corrosion services in industries ranging from North Sea oil to electronic chip manufacturers.

The day may soon be dawn-ng when the old truism that Throughout the British Britain is good at inventing, higher education scene, there are dozens of examples of eries, can be laid to rest.

and technical information from data-

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The protection of innovation

simplest and cheapest course for the inventor, because no of action is to do nothing about amount of helpful advice from legal protection — either keep the Patent Office can repair the idea secret for as long as the damage done by filing an possible or regard the idea as inadequate application. If techpublic property. Either way, no nical details are missing from third party will pay royalties the initial application, they on an unprotected invention, cannot later be added. so the inventor cannot hope for any financial reward. Worse patent, is with the help of a still, someone else may apply

Patenting is only one of several ways to protect innova-tion, but the other forms of one to practise as a patent protection, such as registered trade mark, design or copy-right, will often not be available or be of limited value. A patent covers any idea which can be applied to industry, for instance a process for making something, a product made or a way of using it. The idea must be new and not an obvious extension of what is already known. A patent lasts

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and Europe, but heavy annual renewal fees must be paid to keep it in force. In the US, patents last for 17 years with renewal fees payable every four years on patents filed after 1980. There are two vital differences

for up to 20 years in the UK

between the Europe and US.
First, in the UK and Europe, a patent is invalid if the inventor has published the novel information before filing, whereas in the US there are provisions which sometimes allow inventors to talk first and file later. The safest course of action is for inventors to say nothing, other than in confi dence, until after a patent application has been filed.

Second, in the UK and Europe, patent applications are published while pending. This allows the chance to see what monopoly an inventor is claiming and object to the Patent Office if there are grounds to contest validity. In the US the situation is quite different; applications remain secret

until granted. Without valid patent protec-tion, there can be no hope of financial reward from technology transfer. Even a know-how licence is usually tied to a patent licence. DIY patenting is usually no more successful than DIY appendectomy. In theory the Patent Office will deal with an inventor, offering helpful advice.

The only safe way to file a qualified patent agent. But for legal protection and choosing a patent agent can be obstruct the true inventor's difficult because the profession strictly limits advertising, and potentially disastrous changes

> A patent covers any idea which can be applied to industry

agent, irrespective of experi-

"It's illogical, and it puts the public at risk," says Ms Jac-queline Needle of the Chartered Institute of Patent Agents in London.

The Institute publishes a list of qualified agents which is kept in some public libraries. Word of mouth recommendation can be valuable.

Universities and research institutions may find it easier to entrust inventions to the British Technology Group. BTG offers a one-stop service and - following loss of monopoly privileges and the threat of privatisation - it has recently worked hard to shake off its aloof image,

Qualified patent agents' fees are high because they need a curious mix of technical and legal skills. Winning a British patent can cost more than £1,000. Other countries have similar or higher fees with annual renewals on top. Con-trary to popular belief, and bluff talk by entrepreneurs, there is no such thing as a world patent.

Applications are handled by government Patent Offices and apply only to the country of grant. Two schemes, the European Patent Coventions and the Patent Co-operation Treaty, which is administered by the World Intellectual Property Organisation in Geneva, make things easier and cheaper for inventors who want to file in several countries. Both schemes came into

force in 1978. The PCT gives an inventor the chance to file a single patent application in one country. The application is then checked for novelty by a single search through prior patents and technical literature. Previously inventors had to file separate applications in each country and pay for them all to be searched. After 18 months the PCT publishes the pending application and search report in patent libraries around the

The PCT scheme does not grant patents. This is done by national Patent Offices, or the European Patent Office, which honour the PCT search result. National offices grant patents for their own country, the European Patent Office grants a bundle of patents for up to 13

Spain recently signed the PCT and from November becomes the 42nd country to participate. Greece is the only country in Europe that is not party to the PCT although it is party to the European Patent scheme. Greece is expected to join the PCT to bring the dream of a true "world patent" closer to reality.

Trademark registration pro-tects a name for any goods (and now service). There is no limit on the potential life of a trademark registration, provided renewal fees are paid. The first trademark, Bass for Beer, was filed over 100 years ago and is still going strong.

valuable. Under the consumer protection laws if a customer asks for goods by name, and is given something similar but not identical, the salesman is at fault. Hence the value of trademarks such as Coca-Cola and Peosl-Cola. Trademarks can die, how-

ever, through misuse. If the public took to calling every origin, the word could become generic and lose its status as a mark. This is what happened to the word aspirin, once a trademark. The appearance of a product can be protected by paying for

a registered design, or by free copyright. The law on both changed on August 1 when the Copyright, Designs and Patents Act 1988 replaced the Copy-right Act 1956.

The new Act seeks to tie

extraordinarily muddled situation which arose under the

1956 Act when manufacturers claimed free artistic copyright in mechanical products, such as spare parts for cars and electrical equipment. The new law gives no copy-

right monopoly to manufacturers if a spare part must be shaped in a special way to fit or match the original But where a product looks original, and there is no must-fit constraint, the manufacturer automatically, and without cost gets copyright protection through the new unregistered

The new right lasts for 10 years, but licences of right are available for five years. This means that anyone who wants to copy the design can demand a licence, with royalty payments if necessary, arbitrated by the Patent Office.

The old provision for registering an industrial design, by paying a fee, remains in the act. But the life span of a registered design has increased from 15 to 25 years and the law has been tightened.

Where there is no design part is determined by the sign of the whole, there can tive industrial designs.



Glass ionomer cement: invented at the Laboratory of the Government and developed with financial support from BTG

A small UK agency is suing the Pentagon, reports David Fishlock

The high price of a good secret

BRITAIN HAS developed some sophisticated mechanisms for technology transfer which are beginning to attract wider attention. The well-established British Technology Group and the newer Defence Technology Enterprises are unique activi-

ties that offer lessons for other

nations as well as for other technology brokers. Penicillin was discovered in a London hospital and a nearby pub called the Sir Alexander Fleming commemorates the event. Then came the Secand World War and an urgent need for the world's first antibiotic. But Britain lacked both

away" its discovery. The Gov-

ernment vowed it should not

happen again and in 1948

formed a state-owned organi-

sation called the National

Research Development Corporation, to protect the intellec-

tual property rights of scien-tists and inventors funded by

the public sector in universi-

ties, hospitals, national labora-

The job of the NRDC was to

manage the development of

research discoveries and

inventions. From the start it

ign right provision. the resources and the engi-neering skills to prepare for large-scale fermentation. It went to the US for help - and found it. After the war, however, word got around in Britain that someone had "given

freedom, because the design of be no registration, even if the design looks novel to the eye. The idea is to make registered design protection available only for truly aesthetic, decoraics called the cephalosporins. They were patented worldwide and the royalties secured the financial base of the NRDC for many years.

This organisation has been used - and abused - in different ways by different governments. Now it is called the British Technology Group. It claims to be the world's biggest organisation specialising in technology transfer.

The BTG is currently suing the Pentagon for tens of mil-lions of dollars for allegedly infringing its patents on Hovercraft.

In the 1950s a private inventor brought the idea of an air-cushion suspension for the agency it to manage. It set up a subsidiary called Hovercraft Development which patented the skirt retaining the air-cushion. BTG alleges that the Pentagon has bought \$500m-worth of hovercraft using its patented skirt.

The very idea of a minuscule foreign company, employing only 180 people, suing the Pentagon may seem amusing. But BTG has already taken on the world's biggest electrical

groups and won.
At issue was nuclear magnetic resonance (NMR) imaging, alternatively known as magnetic resonance imaging (MRI), invented in British universities. BTG has compiled an impressive portfolio of patents it believes covers most such imaging systems sold throughout the world.

Until two years ago very few heeded BTG's claims. Then Johnson and Johnson, the US healthcare group, capitulated to threats of legal action. Soon after, US General Electric, the market leader, settled and paid BTG several million dol-lars. This windfall was shared by BTG with dons at Nottingham, Aberdeen and Oxford

universities.
Gradually BTG's commerother NMR makers, such as Toshiba and Siemens, to follow suit. The royalties, and the payouts to some impover-ished dons, are doing wonders for its image as a technology

It has also opened an oppor-tunity that BTG is exploiting. Johnson and Johnson – a company with which BTG has enjoyed good relations until the imaging issue erupted - was evidently impressed by the tenacity with which BTG pursued what it believed were its commercial rights.

The healthcare group had already abandoned plans to make imaging systems. It invited the UK company to take over a portfolio of nearly 100 inventions relating to medical diagnostic imaging and manage development. sharing any royalties

between them.

This windfall of intellectual property has doubled BTG's normal intake of new inventions this year. BTG believes it

BTG has worked 🦠 almost exclusively on behalf of British Inventions

can repackage the portfolio in various ways to open markets for imaging in such activities as non-destructive testing for engineering, and quality con-trol in the food industry, as well as for medicine. The deal has given a fillip to BTG's plans for internationalising its

Historically BTG has worked almost exclusively on behalf of British inventions. Now it is getting the idea that many overseas companies may have portfolios of under-developed inventions crying out for its skills in technology trans fer and the securing of intellectual property rights.

BTG is convinced intellectual property rights is a greatly under-valued resource, says Mr Ian Harvey, chief executive. Companies are constantly shelving ideas and inventions, not because they won't work but for lack of cash or the right people, for changes in corporate strategy, for a myriad of commercial

That is why BTG will conne to pursue the Pentagon. It has ample funds and the commercial freedom. It wants to be seen to be willing to fight long and hard on behalf of its inventors, whether they work in an academic cloister or for a corporation.

Between these two extremes, BTG has identified a host of highly innovative start-ups in advanced technologies, especific in the Specific in the "civil not begun to think of penetrations".

already inside the citadel just like the ferrets I come to

Another technology transfer mechanism Britain is perfecting is embodied in the activities of a small venture called Defence Technology Enterprises; a private venture, owned jointly by several financial institutions. DTE was invented in 1983 as a way of transferring technology from Britain's defence research establishments into the commercial sector. It is a mechanism for penetrating their tight security fences and tak-ing a cool look at the commer-cial opportunities within.

DTE has been infiltrating what it calls its "ferrets" inside the fences of all but the Atomic Weapons Establishment. These ferrets are techni-cal folk - some have even worked in defence research establishments. As ferrets they have offices inside the security fences and are free to roam, to see, to talk about the commercial opportunities.

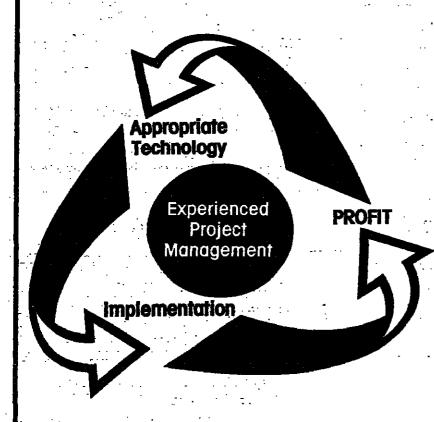
They have been ferreting for about three years. The impor-tant point is that they have been ferreting with top-level encouragement in the Ministry

of Defence.
Initially, DTE saw itself as a technology broker with unique rights of access. After three years it has realised that to succeed commercially it must be much more than a broker. It must be willing to back the ideas that its ferrets find with more cash for development, to turn them into demonstrations credible to a potential com-

That means a lot more money must be found, more risks taken, than were envisaged at the start, says Mr Bernard Herdan, managing direc-tor. The company has begun to look more widely for financial backing, abroad as well as in Britain.

Nevertheless, DTE has made an impressive start. By this summer it had compiled a portfolio of 500 promising military inventions and was marketing 60 of them in the civil sector. It has begun to second its own scientists - as well as the ferrets - to work inside the defence establishments alongside their staff, on in the "civilising" of military

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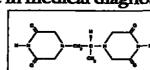
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Turning a one-way flow

JAPAN HAS a long history of learning from others and for most of its recent past technology transfer was a one-way flow from the West. Over the last 100 years Japan has been driven by a desire to catch up with the industrialised world and has been preoccupied with soaking up the scientific and technical advances made in Europe and the US.

It is only in the past few years, as Japan's closed society was increasingly seen as a likely cause of the country's persistent and much-criticised trade surplus, that the Japa-nese woke up to the importance of sharing their recent technological success.

The Government is encouraging easier access to Japanese R&D from abroad. The spreading globalisation of industries is encouraging businesses to join hands increasingly across national borders. The indications are that the doors to Japanese technology are slowly being opened. This trickle, however, is likely to resemble a flow in the near future.

The Japanese Government is eager to present an image of openness. Claims by the US that the closed nature of Japanese society is in part responsible for its trade surplus makes the country's history of deficits in technology transfers some-

thing of an embarrassment. Pressure on Japan to play an international role in keeping with its status as a leading economy has made it more necessary to promote greater

access to Japanese R&D. Tokyo is particularly sensi-tive to criticism from the US that it is selfishly keeping its technological achievement to itself. The US accounts for over 60 per cent of technology transfers to Japan. In 1987, the Japanese ran a Y106.8bn deficit with the US and a Y63.1bn deficit with western Europe.

Such criticism led Mr Noboru Takeshita, the former Japanese Prime Minister to agree last year with Mr Ronald Reagan, US President in office at the time, to facilitate access to Japanese science and technolgy research. Last spring, the Ministry of Foreign Affairs set up a scientific technology

task force. A report published by the task force in June emphasised the increasingly important role that co-operation in scientific technolgy played in foreign relations. Recent statistics, however

suggest that such efforts still have a long way to go. The number of new cases of technology transfers actually fell from 1,730 in 1986 to 1,655 in 1987, according to a report published in March by the Agency of Industrial Science and Technology. Figures released by the Bank of Japan indicated that Japan paid Y604bn for licences, patents and royalties in 1987. This was more than three times as much as it received.

Part of the difficulty is that most of the technological advances that foreigners are interested in is done in the private sector and the Government cannot force a private company to supply information

on its R&D activities. Japanese experience in try ing to catch up and finally overcome the West has per-haps made the Japanese more reluctant to share in the fruits of their labour and suspicious of possible competition. Industry leaders are not as self-confident as their US counterparts were in the earlier part of the century although Japan enjoys its status as the world's largest

creditor nation. Mr Isao Idota, president of Technology Transfer Institute (TTI), a private organisation which helps companies arrange technology exchanges, regrets that Japanese compa-

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Technology

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worldwide.

industry

nies are still far from forthcom-ing in their attitude towards

Meanwhile, the traditional Meanwhile, the traditional practice of lifetime employment reduces the chances of technology being transmitted through skilled personnel.

While the Japanese have recruited hundreds of technicians to teach them western its the only neonla Japanese.

skills, the only people Japanese companies will willingly send on technical transfer missions are men near retirement.

While such attitudes and the widespread image of Japan as an inaccessible society may discourage foreigners from seeking Japanese advances in technology, a lack of interest, at least on the part of the West, also helps perpetuate the lopsided situation

lopsided situation.

Language is also cited, particularly by westerners, as a large difficulty in transferring technology from Japan,

The problems in technology transfers to developing countries are of a different nature. It's a pitcher and catcher relationship," said Mr Idota. "If you throw the ball and the other side isn't ready, it's a

In spite of all the barriers. the unchallenged lead that Japan enjoys in certain industries makes it inevitable that more and more technology will flow out of the country.

At the same time, the increasing globalisation of industries and fear of protectionist measures are encouraging more Japanese companies to form licensing agreements with companies abroad.

Europe's single market in 1992 has been the biggest trig-ger for technology transfers from Japan," says Mr Idota. ready to license technology since nobody wants to be left out.

WHEN Mikhail Gorbachev seized power in the Soviet Union four years ago, one of technology. Or, to be more exact, the lack of it.

It was the realisation of the

rapidly expanding techno cal gap between the Soviet Union and the industrialised West, in spite of massive spending both on military hardware and on space, which persuaded important pillars of the establishment to opt for the radical reformer.

Today, although the Soviet Union has one of the world's largest scientific workforces, it only a modest record of achievements," said Mr Roeld Sagdeyev, director of the Soviet Space Research Insti-tute. "For too long, Soviet science has hidden its inadequacies behind official panegyrics to its success. Science has its Soviet achievements have not

measured up to them."

Traditionally, the view has been that Soviet science has been strong on fundamental research, but week on its application. Mr Sagdeyev, an outspoken member of the new Congress of People's Deputies, calls even that into question.

"We have long been used to castigating ourselves for being mable to translate effectively the results of fundamental research into practice," he wrote last year in Izvestia, the official government newspa-per. "It is high time we sorted out honestly and objectively the causes of the crisis experienced by fundamental sci-

More than anything else, he blames the creation of a massive scientific bureaucracy perhaps 1.5m strong - raising artificial barriers to inter-disciplinary communication, preventing labour mobility, and stifling original research

That thesis is almost univer-sally accepted. However, the system will take a long time to unscramble, in spite of prog-ress in pensioning off ageing administrators and academics into honourable retirement. In the meantime, the Soviet Quentin Peel looks at Moscow's modest record

injection of Western technological know-how, both to stimulate fundamental research, and, more immediately, to help put the existing results of basic research into effect. But that is exactly where Western restrictions on technology transfer are most

Cocom, the Co-ordinating Committee for Multilateral Export Control, still has sweeping powers to prevent any Western exports which might have a military application in the Soviet bloc. It is the subject of bitter reproach in Moscow, and almost equally resented by Western businessmen trying to increase exports

"East-West relations have of late been bled white by Cocom," Mr Mikhail Gorba-chev told the Council of

Europe in July. The latest relaxation in Cocom rules in August does allow the old generation of personal computers to come into the Soviet Union reasonably freely, making it possible for most 16-bit microcomputers to be sold, while maintaining the ban on 82-bit

It still means that machine with the 386 chip, available over the counter in high street res in western Europe and the US, are supposed to be banned. Restrictions remain on memory size and transfer speeds incorporated in main frame computers.

The annoying thing is that within Comecon countries they are producing machines with bigger memories, but it is difficult to prove it," says Mr Bo Lejdstrom, general manager in the Soviet Union for ICL.

Western diplomats certainly recognise that the Cocom restrictions are hitting the

Scientific reforms urged matic improvement in commu-nication between Soviet scien-The USSR must raise the quality and reliability of its tists and their Western counterparts. Joint scientific production - through automa-

tion, robotics, computer-as-sisted design and manufacture. But that is precisely the area where they come up against Cocom: production technology can be used to pro-duce defence goods as well as civilian ones," said a Western scientist.

Cocom restrictions have some effect, but less drastic, in the other area seen as most in need of transferred technology: hio-technology, where the advances in Western science have not been reflected in the USSR. The area is crucial for the Soviet Union because of the parlous state of both agriculture, and the health ser-

"In the whole of our country there are probably no more than 50 geneticists doing truly up to date research," according to Mr Alexei Sozinov, director of the Moscow Institute of General Genetics. Practically all the genes we use are imported. We even have to bring in laboratory mice from abroad."

What Mr Gorbachev's policy

fine for sending men to Mars. but not much use to stop children being infected with Aids in central Asia.

Even the production in space of pharmaceuticals and semi-conductors could almost certainly be carried out more

cheaply on earth In every sphere, it is the shortage of the sent of computer power taken for granted in the West which is hampering faster development. A positive flood of Western

computer companies is competing for the business per-ceived there.

The problem is the same as

for the rest of the Soviet economy: a desperate shortage of foreign exchange to buy Western equipment. What the Soviets have to

offer in exchange is a considerable expertise in software. Years of living with the shrunken computer memories dictated by Cocom rules have forced Soviet programmers to get much more ingenious than their Western counterparts. On the face of it there should be a huge body of unexploited knowledge. Up to

0,000 Soviet inventions are registered in Moscow every year, but last year only 500 were registered internation-

ally.
The trouble is that Western intermediaries are usually presented with enormous lists of inventions they might be interested in, without any attempt at discrimination.

Fund-raising is difficult, says Charles Batchelor

counterparts. Joint scientific journals will help expose Soviet work to the outside world. Similarly, Western journals are becoming more freely available in the USSR.

Mr Yurl Osipyan, director of the Institute of Solid State Physics said restrictions have

Physics, said restrictions have been lifted on publication of research formerly classified as defence-related. The only restrictions are on the technological aspects which are

logical aspects which are regarded as industrial secrets.

Dr Gury Marchuk, the president of the Academy of Sciences, has spelt out the areas where he sees Soviet science falling most seriously behind: high-velocity aerodynamics. in

high-velocity aerodynamics, in the development of new mate-

rials, and in bio-technology, although he says Soviet scientists are still ahead in protein

synthesis, bio-energetics, and

is held up as one of the success

stories but the aseful results

in the civilian sphere are lim-

ited. The main advance for

Soviet science has been in

space medicine - which is

The Soviet space programme

radiation bio-engineering.

In search of cash

TRANSFERRING technology from one company to another is not without its problems. Shelbourne Reynolds, a Suffolk-based engineering company, discovered this when it decided to develop a grain stripper which speeds up the

sting proce Shelbourne decided for the first time to develop someone else's product under licence. It spent two years making prototypes and pre-production models until it made its first com-mercial sales in 1988.

The company is confident that the stripper will help double its turnover, currently £3.5m, within the next few years. But the development costs exceeded original estimates by four times, and the time taken to bring the grain stripper to market was much longer than expected.

Shelbourne consequently made its first loss in its 17-year history; the bank manager refused to provide further finance; and the company had shares to avoid liquidation. For the smaller company,

the problems of absorbing bought-in technology are acute. A large corporation may be able to afford to write off the occasional hiccup but the finances of the small company are more finely balanced.

Developing your own tech-nology is also fraught with problems. Persuading financial backers to support new technology has never been easy and the losses which many British investors suffered from backing technology-based busi-nesses in the early 1980s has made financiers wary. Paul de la Pena, a Midlands-

based company which blends industrial lubricants, was forced to go to Italy for finance for a new sensor to measure the growth of bacteria in machine oils after unsuccessfully attempting to raise the money in Britain.

The company, which has turnover of £2.5m, spent £1m of its own funds before turning to outside finance. It raised £1.7m from Iritech, an Italian stateowned financing agency. Mr Paul de la Pena, the chairman, felt that British venture capitalists did not understand the technology and were not inter-ested in backing a project which had already reached an advanced stage of develop-

ment. His complaints are given backing by the venture capital industry's statistics. Just 9 per cent of the investments by the UK venture capital industry in 1968 went to technology related businesses compared with 16 per cent the year before. These figures compare badly with the US where 75 per cent of ven-ture funds invested since 1980 have gone into technology. Companies hased on UK science parks make sparing use of

venture capital. Only 3 per cent use venture funds to get started while just 3 per cent take in second stage venture finance, according to a recent

The fathere of British ven-

ture capitalists, and the Gov-ernment, to back innovation and support the smaller company has attracted the atten-tion of the Prince of Wales. In a speech in June to the British Venture Capital Association, he warned the industry about taking a short-term approach to its investments.

The result is that innovative small companies are frequently forced to put together a mosaic of funding to meet their financial requirements.

While technology-based companies may not appeal to the majority of venture capitalists, some venture funds have main tained a commitment to this sector. Transatiantic Capital, a London-based investment management company, earlier this

month raised 26m for its third

Bio-Sciences Fund which will invest in the medical, health care and bio-technology industries in Europe and the US. in June, N M Rothschild, the

merchant bank, announced a £20m fund to finance companies involved with materials technologies. This year, technology funds were launched by Korda, a technology consultancy, which raised 25m; Pre-lude Technology investments, a venture capital group raised \$20m; Guinness Mahon, invest-ment bank raised \$25m and Charterhouse, a financial ser-vices group, £40m.

The banks have been taking a closer interest in technology-based businesses. Barciays Bank has taken a close interes in technology for some time while National Westminster bank earlier this year created a technology unit. NatWest is training technology managers for 25 of its main branches and has set up a Seed Capital Loan facility to provide loans of between 25,000 and 250,000.

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TECHNOLOGY

Take some used disposable nappies, a few potato peelings, last weekend's newspapers and the stew little Tommy refused to eat. Use it to make a fire under a steam-producing

This, say some, is a recipe to create energy and dispose of rubbish at the same time. Others are horrified because they see it as a mixture for environmental disaster.

There are about 500 wasteto-energy plants around the world, most in western Europe, the US and Japan. Singapore, Malaysia and the Soviet Union also have some. The first plant was built in England in 1895 and a few were constructed in New York City at the turn of the century.

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Until now, relatively cheap fossil fuels and inexpensive landfill sites have kept the concept of using rubbish for fuel as an obscure art.

This could change. The shortage of rubbish dumps near cities and the spiraling cost of transporting domestic refuse to landfill sites out of town has focused attention on

waste to energy plants.
The US Environmental Protection Agency predicts that a quarter of the US domestic rubbish will be incinerated by 1990. An average US citizen throws away about 1.2 tons of refuse a year, nearly half of which is paper and other com-

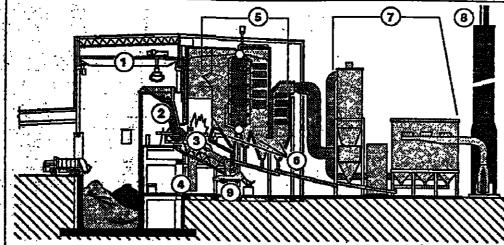
bustille materials.

UK citizens each dump about a third of a ton a year. If all the domestic rubbish in Britain were burned instead of dumped it would generate as much electricity as the proposed nuclear power plant at Hinkley Point, according to Bob Whea-tley, sales manager of Martin Engineering Systems, the UK subsidiary of Martin Munich and CNIM of France.

Waste-to-energy incinerators have traditionally generated steam for industrial use or for electricity. But most modern plants generate both power and heat. The power is sold to the local utility company and the heat is piped to district

heating projects nearby.

A plant in Gothenburg, Sweden, for example, burns 1,000 tons of the city's refuse every day and supplies 100MW of heat for district heating systems and 14MW of electricity A cityllar plant in Lord ity. A similar plant in Lausanne, Switzerland consumes part of the city's rubbish and s beat and power in return. In London, three of the city's boroughs have joined a consortium called the South East London Combined Heat and Power Consortium (Selchp). It



The Martin waste-to-energy incinerator is typical of its kind. The system uses 21 processes to turn domestic rubbish into power and heat. The main steps are: a remote-controlled crane (1) grabs unsorted refuse and puts it in the feed-shute (2) from where it is transferred to the stoker grate (3). Air is blown (4) from below the grate to fan the fire. The hot gases which reach about 1,000 deg C are forced through five stages, where they pass the boiler and heaters (5). The fly-esh (6) is removed before the gases enter the scrubbing devices (7), where acids are neutralised and perticles extracted. Cleaned gases leave via the stack (8). Fly-esh and residue-esh (9) is collected and dumped. Most stages are monitored by computer.

The power of burning rubbish

Peter Knight assesses the practicality of incinerators which turn waste into energy

is planning to build a £70m refuse-fired plant on an old dog-racing track.

At the heart of the plant will be a Martin incinerator. It uses a stoker-grate to ensure effi-cient combustion of the refuse. The grate, where the fire burns, looks similar to an esca-lator. The refuse is thrown on the fire and the mobile grate stirs, stokes and pushes material to the centre of the fire. Air is blown in from underneath the grate. Combustion gases reach about 1,000 deg C and the heat is used to make steam. This in turn drives the turbines. Selchp will use some of the steam to heat water. The boroughs intend to buy the water and pump it through specially laid insulated pipes to heat council housing. The local electricity authority plans to

the turbines.

The Selchp plant will burn about 400,000 tons of refuse a year and produce 33MW of electricity and 75MW of heat.

The technology behind this type of plant was developed Germany used it to burn low-grade coal. Small European countries with few landfill sites, such as Denmark and Switzerland, have used the

pose of their rubbish. But there are two big problems in building waste-to-energy plants. Bob Wheatley describes one as psychological; the other is financial.

incinerators since then to dis-

If the plants are to provide district heating and a disposal point for urban refuse, they have to be built close to houses. Residents are justifi-ably concerned about smells, noises and noxious emissions from the incinerator.

The flue gases should be "scrubbed" to meet new EC buy the current generated by emissions standards. But environmental campaigners, such as Greenpeace, say the inciner-ators produce dangerous chem-icals that can evade the scrubbing process and escape up the chimney. Operators dispute these claims. They say no dan-gerous emissions have ever

escaped from any plant.
Greenpeace argues, and no one disagrees, that the ash which remains after the process contains dangerous substances, such as heavy metals. The ash has to be buried in special landfill sites designated for hazardous materials. This, says Greenpeace, maintains a dependence on landfill. The rubbish should be recycled instead of burned, it says. But the cost is prohibitive.

Jeff Cooper of the London Waste Regulation Authority says there has to be a balance of risk. "In household rubbish there is a small amount that you would not want to incinerate. But this is so small that when it goes through the sys-tem there is no risk to people."

New EC regulations will probably force some old and inefficient incinerators to close. One of the dangers of incineration is a sudden drop

in temperature – for example, when rubbish of low calorific values is being burned – which means poisonous sub-stances are not destroyed in the fire. Rubbish incinerators will have to include a fail-safe device that introduces fossil fuel to boost the fire if it drops below 850 degrees C.

Where money is concerned, there is no disagreement. The builders of waste-to-energy plants face high capital costs. "Incineration is a good way of getting rid of waste but only if you are recovering the heat. It's a very costly process and in the UK a lot more expensive than landfill," says Cooper.

"If you just want to generate electricity it's more economical to use a fossil fuel because the plant is cheaper to build," says Wheatley. "Refuse is the worst form of fuel [due to its inconsistency] that you can imagine. That's why the energy-from-re-fuse plants are expensive to build. The only way it will generate energy on a competitive basis is if the plant gets paid for the refuse it burns."

The costs of plants on the Continent are usually borne by the government or local authorities. The UK Government insists that they be self-financing. Raising the money is difficult because a large-scale plant burning rubband could cost around \$70m and could cost around £70m and will take 15-20 years to recoup the capital outlay.

Forming a consortium may be the solution. Equipment suppliers, project managers, plant constructors, energy wholesalers, energy customers (usually local authorities) and banks would be members.
They would finance a feasibility study and, based on the outcome, form a utility company. The plant will only be viable if the boroughs pay the new company a "gate fee" to burn their rubbish and guarantee to supply sufficient refuse for the life of the plant.

This guarantee could be difficult if UK Government reforms change the way local authorities finance the disposal of their waste. The reforms might force local government to put out for tender the bulk disposal of rubbish. This could prevent councils from making long term commitments to supply waste-to-energy plants.

With worldwide emphasis on environmental issues and the development of new technologles to cut the cost of recycling, it would seem absurd, say in 10 years' time, to pay one company to burn the rubbish when another might want to recycle it.

Britain falls by the R&D wayside

Clive Cookson looks at an OECD report on nations' spending

ritain was the only western industrial country in which the percentage of national income devoted to research and development declined dur-ing the first half of the 1980s, according to a new analysis by the Organisation for Economic Co-operation and Development. The OECD, based in Paris, produces the most comprehensive statistics available for making international compari-sons of R&D. But the figures are inevitably somewhat out of

date; the new report has complete statistics up to 1985 and partial data to 1987. The overall picture for the 24 OECD countries is one of strong growth in R&D spend-ing during the first half of the 1980s. Total OECD expenditure on R&D grew at a real rate of 6 on Red grew at a real rate of 6 per cent a year between 1981, and 1985, while GDP increased by 2.6 per cent. Partial data for the following two years, how-

Japan, Spain, Norway and Finland lead the league table of 1981-85 R&D growth, with compound spending increases of about 9 per cent a year. The UK is bottom of the table, with 1.6 per cent a year growth. "The UK was the only country where growth in R&D expenditure was lower than growth in

GDP," the report says. Together, the 12 EC countries account for 34 per cent of the OECD's total GDP but only a 28 per cent share of R&D spending. "Performance has been particularly weak in the UK and the Netberlands," the report comments.

The swing from public to private sector funding of R&D, which began in the 1970s, has continued during the 1980s. The US is the only OECD country where the share of R&D effort financed by the government has increased. Even so, government-financed R&D grew more rapidly than total public expenditure in most countries. The clearest decline

in government spending on civil R&D was in Britain. Higher education's share of R&D spending fell in the late 1970s and early 1980s, reaching 16 per cent in 1985. In relative terms, university research is more important in small and medium-sized countries than in the OECD giants.

ever, shows a slow-down to about 4 per cent R&D growth At the same time, the struc-ture of university R&D funding is changing. "General funds" are decreasing in favour of "mission-oriented" government programmes with an economic, social or regional slant. The proportion of university research financed by industry is rising but is less than 5 per cent for the OECD as a whole.

overall effect is "a weakening of the university research envi-ronment, with average financial resources per researcher falling, in particular capital expenditure."

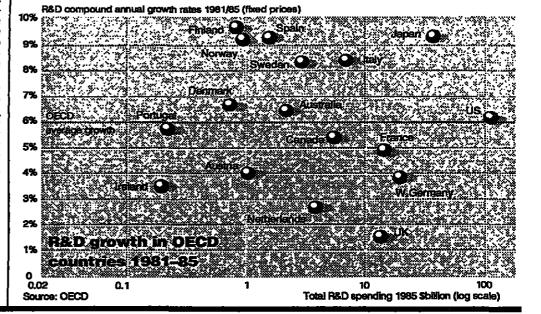
The report also analyses the growing international diffusion of technology through patents and licensing agreements. Most OECD countries import more "disembodied technology" in the form of licences and know-how than they export. The source of most of this technology is the US, which runs a huge positive balance on its "technological balance of payments". The UK, Sweden and

Denmark have small surpluses.
Although Japan still runs a
negative technological balance
of payments, its deficit has
been shrinking for the last 15
years. Since 1971 Japanese
companies have sold more companies have sold more technology abroad than they have imported, taking into account only new contracts. The negative overall balance is a legacy from licensing agreements concluded in earlier years, when Japanese industry was growing rapidly on a base of imported US technology.

OECD Science and Technology Indicators Report No. 3 - R&D, Production and Diffusion of Technology. OECD, Paris. FFy200 or £24.

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NATIONAL CONTRACTOR CONTRACTOR STREET, ON WEIGHIGH BETTE LAND IN THE FAIR HIS CONTRACTOR WITH LAND IN THE LAND IN

A PAPUA New Guinean environment. politician is to seek a court order temporarily closing the Ok Tedi gold and copper mine in the remote Fly River system because of environmental concerns, reports Reuter from

Port Moresby.

Mr Parry Zeipi, a former
Environment Minister, said he
would ask the National Court for an injunction to close Ok Tedi Mining, operated and 30 per cent owned by BHP of Aus-

Mr Zeipi, now an opposition member of parliament, said closure would provide more time to study plans to allow the mine to dump up to 150,000 tonnes of waste a day into the river. The Government last week granted permission for the dumping to go ahead Zoo despite its effect on the

At the other end of the country, the Bougainville gold and copper mine has been shutdown for months because of a sabotage campaign, depriv-ing the central and provincial governments of substantial

Mr Zeipi said: "I'm determined to take this issue head-on. Lives need to be bal-anced with the needs of economic development." Some 20,000 people live in

| LINE WARRING (Change during tonnes | PRE STOCKS week ended last Friday) |
|--|---------------------------------------|
| Aluminium | - 1,850 to 61,825 |
| Copper | 1,400 to 102,875 |
| Lead | -700 to 34,225 |
| Nickel | - 180 to 4.758 |
| Zinc | +4,700 to 73,050 |
| 7:- | ±495 to 4 850 |

the Fly River area and Mr Zeipi said trees and grasslands were already dying along the river as it silted up.

Ok Tedi said earlier that

three years of environmental studies had shown the river and its fish would be affected by the dumping.
The alternative is a \$380m tailings dam, so expensive it could threaten the mine's survival, said Dr Roger Higgins, an Ok Tedi official.

"It was a very tough decision for the PNG Government," said Mr Higgins. "In glad I didn't have to make it." The independent environ-

mental study funded by the company and used by the gov-ernment to make its decision recognised there would be changes to the fish population after dumping, Dr Higgins said.

Peru to offer silver bonuses

By Kenneth Gooding, Mining Correspondent

to producers to encourage silver bullion exports was not likely to disrupt the market, analysts said yesterday. Neither was the US Mint's plan to sell 625,000 troy ounces

PERUS PLAN to offer bonuses

of silver by auction on October 31 expected to cause disturbance.
The Mint's sale was part of a

three-year programme to sell 7.5m ounces from its stockpile and the market had therefore known about it for more than a year, Ms Rhona O'Connell, precious metals analyst at Shearson Lehman Hutton, the financial services group, pointed

The US silver would probably not reach the market immediately because its quality varied, ranging from material with more than 99 per cent silver contained in it to less than 45 per cent.

As for Peru's plan, Ms O'Connell said it had been O'Connell said it had been made clear that any bonus would not be paid until the sil-

Railroad Company, the largest

banana producer in Honduras

and owned by United Brands, yesterday defied a presidential decree to end a 5-day strike.

The strike, which has caused

the loss of some \$2m worth of

exports, now appears set to continue indefinitely and

become ever more caught up in

the campaign for the Novem-

ber 26 presidential elections. Tela Railroad accounts for

more than two thirds of Hon-

duras's annual bahana exports

of 46m boxes (40 lb each). The

dispute with the unions arose

over moves to transfer a pack-

By Robert Graham

ver had been sold in export markets. The plan therefore did not encourage producers to boost exports at any price. Exporters would not receive any bonus until the metal had

the combined fall in the output of the metal and the drop in the market price had caused the value of silver mined in Peru to slump by 30 per cent, from \$463m in 1987 to \$325m

The value was likely to fall by another \$50m in 1989, she

Peru's proposals were revealed by President Alan Garcia in an interview with Reuter's correspondent Mr Roger Atwood. Mr Garcia said the bonus might be 15 per cent and was not designed to raise silver prices but to provide more stability for mining com-

dent producer and involved

only 106 workers. However, it

spread to loading operations at Puerto Cortes and then a soli-

darity strike among all the

company's 9,300 employees -

the largest private workforce in Honduras.

mediation failed, President

Jose Azcona intervened calling

all parties to a meeting in Tegucigalpa last Friday. Then

on Sunday he issued a decree

forcing an end to the strike to avoid "irreparable damage to the country's economy." The basis of the deal was for the

COCOA - London FOX

Close Previous High/Low

After Ministry of Labour

Honduran banana dispute continues

WORKERS AT the Tela aging operation to an indepen-

ducers. . . we've got to do something," he said. Mr Garcia gave no indication

the first seven months of this year totalled 1.059m fine kilograms against 1.054m kg in the same period last year. Mr Gar-cia said he expected Peru's sil-ver exports to remain generally lower-than-average at least until his Government's term of office ends in July, 1990.

lar support plan was being con-sidered for metals other than

in Peru was down by 19 per cent from \$121m in 1987 to by 9 per cent from \$711 to \$725 and that of zinc by 23 per cent from \$486m to \$589m.

been sold and the money returned to Peru. Ms O'Connell calculated that

when the plan would be put into effect.

Peru's silver production in

Although he admitted lead producers were also suffering from low prices and some were selling below cost, Mr Garcia gave no indication that a simi-

According to Ms O'Connell, while the value of lead mined \$98m last year, copper's rose

packaging operation under dis-pute to be transferred to an

independent producer with guarantees about wage levels.

At the same time, the manage-

ment agreed to take no repri-

sals against the strikers,

though they were denied any

terday in all operations save

loading where a further 72

hour period had been set aside

to resolve outstanding issues

at the stocks. However, a com-

pany official said that the

union was refusing to observe

the presidential decree and all

operations remained paralysed.

Close

1805-10 1763-5

Previous

m, 99.7% purky (\$ per tonne)

Work was due to resume yes-

back pay.

©/tonne

Putting the environment out to contract

Bridget Bloom on a radical proposal for protecting the British countryside

O YOU have a favour-ite country view - a small spinney perhaps, nestling alongside a sparkling stream, or a knoll of trees perched atop rolling downland? If Britain's Country Landowners' Association has its way. that view might well be pro-tected for you by its owner, the farmer, under contract to the local council.

In direct response to the crisis in farming and the upsurge in environmental conscious ness, the CLA is canvassing plans which could involve a countrywide network of such contracts under which woods would remain unspoiled, streams clear of pollutants, fields nicely hedged and footpaths properly open to walkers

– all in return for a cash sum
for the farmers, who would
face heavy penalties if they did

Under the plans - which CLA will next month take to Brussels to try to convince Mr Raymond MacSharry, Euro-pean Community Agriculture Commissioner, of their worth – any farmer could enter such a contract if he could find a willing buyer. That buyer could range from a parish or village council, wishing to develop a sports field or a small nature reserve, to central government anxious to meet the wishes of its electorate to preserve a landscape along a motorway – or ensure that farmland above underground water sources is free from

Mr James Douglas, the CLA's director, canvasses these Environmental Land Management Services, or ELMS for short, with an enthu-



John Gummer: "Interested, if uncommitted," says the CLA

siasm tinged with what seems like embarrassment for its audacity. For Britain's landowners are quintessentially conservative, and the CLA is not known for producing radi-

cal ideas.
Yet ELMS, naive and illthought out though it may be in some respects, is a sign of how far the agricultural world is moving in response to the changes born of the recent decline in farming's fortunes on the one hand and the burgeoning green concerns of elec-

torates on the other.

The association takes those changes as its starting point. As Mr Douglas sees it, there are three key factors. Less land will be needed for food production in the future; as market forces bite more deeply, land-owners are re-appraising the profitability of agriculture compared with other uses of land; and consumers are increasingly demanding well

THE BRITISH Government is to fund a study examining the economics of organic farming, its first investigation of the

subject.
The study, which will survey 300 of Britain's estimated 1,000 organic farmers, is being undertaken against the background of rising sales and imports of organic food, as well as the promise of EC proposals on arganic farming. proposals on organic farming. It will be undertaken by Cambridge University's Agri-cultural Economies Unit in alliance with the University College at Aberystwyth. The eost will be about 260,000 and it should be completed in 18

managed and accessible coun-

The CLA is not the only organisation concerned with farming and the countryside which is groping for some way of making sense of the plethora of special schemes to protect the countryside and help farm-These schemes range from

specially protective designa-tions for areas of land, like national parks or areas of outstanding natural beauty or sites of special scientific interest, to measures designed to help farmers diversify out of surplus crops, set land aside from arable production or farm in environmentally sensitive

The Countryside Commission, the Government's own adviser on countryside matters, joined the debate last spring when it suggested that most of the aids should be assembled onto one compre-

hensive "menu" of farm stipport which would reward farmers for choosing environmentally friendly practices. Who find the practices when the practices who have the practices and the practices when the practices where we will be practiced when the practices when the practices wh tices. The independent Council for the Protection of Rural England more recently suggested that the newest scheme from the European Commission, to encourage less intensive farming, could be re-

jigged, at no extra cost, to be "environment friendly." But the CLA's proposals are the most comprehensive and radical, if only because they could embrace the whole spectrum of aids yet at the same time envisage a considerably less dirigiste role for central or local government - or even

Mr Douglas admits there are problems with the idea. While it may be easy enough to envisage farmers contracting with a local birdwatcher's society, a village or even a district coun-cil to create or maintain particular environmental features, it is less easy to see how this could be done on the much larger scale that would be necessary with central govern-

"What would be needed would be to turn government from being an environmental supremo to environmental cus-tomer," Mr Douglas says.

On its way to establishing this Environmental Products Purchasing Programme, the CLA seems to envisage govern-ment laying down specifica-tions for its environmental needs — the preservation of grassy downland, for example, or the wetlands of Somerset — while leaving the precise way of doing this up to negotiation

between groups of landowners and a professional agent, like a surveyor or land agent, acting on the government's behalf. This use of professional gobetweens, it maintains, would reduce the administrative burden while maintaining greater flexibility and initiative for the landowner. One of the criti-cisms of the Government's own Environmentally Sensitive Area schemes, for example, is that they are very costly in staff as well as in the compensation payments made to farm-

As for overall costs, the CLA has apparently yet to do its sums and will no doubt feel the sting of official criticism as

sting of official criticism as soon as it does so.

However, CLA draws comfort from the promised presence tonight of Mr John Gummer, the Minister of Agriculture, at a special meeting of the Tonical of the Tonical Comments ing on the fringe of the Tory Party conference in Blackpool, where ELMS, together with the report that spawned it — Enterprise in the Rural Environment* - is to be discussed. Mr Gummer is reported to be "interested, if uncommitted"

It is of course clear that its scheme would have advantages for the landowner. "It would be a realistic way for the farmer to earn money, providing something the public wants," Mr Douglas says. "The last thing any self-respecting landowner wants is to be seen by the public as some sort of park-keeper, depending on handouts from the taxpayer, as is beginning to happen today. *Available from the CLA. 16

Malawi aims for bigger slice of sugar loaf

Mike Hall on obstacles to growth for one of the world's lowest cost producers

RESSURES TO expand Mauritius, Swaziland and sugar production in this small southern African country are mounting.

Domestic sales rose by 17 per cent last year, but a large part of the increase is thought to have been smuggled to neighbouring countries. Local government-controlled prices are far lower than those obtainable abroad. Meanwhile, since the industry is obliged to meet domestic requirements and is working at full capacity, it is losing potentially valuable export earnings.

Experts say the cost of sugar production in Malawi is amongst the lowest in the world, mainly because of cheap labour. But there are major obstacles to further large-scale

The industry began soon after independence in 1964 with the help of Lonrho, the UKbased multi-national, which also owns sugar estates in

WORLD COMMODITIES PRICES

(Prices supplied by Amalgameted Metal Trading)

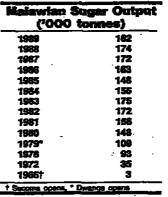
AM Official Kerb close Open Interest

Ring turnover 16,925 tonne

South Africa. Output has since grown to an annual average 165,000 tonnes.

Sugar has become Malawi's third most important export, after tobacco and tea, and is estimated to account for about 10 per cent of the country's total export earnings this year. Fuel ethanol is an important parallel industry, with 12m litres being produced annually, saving 13m kwacha (\$4.7m) in reduced oil imports. Local fuel contains 20 per cent ethanol said to be one of the world's highest ratios for use by nor-mal vehicles.

The Sugar Corporation of Malawi (Sucoma) established the first estate in the southern Shire River valley in 1966. It now covers 9,200 hectares. Another was opened in 1979 by the Dwanga Sugar Corporation (Dwasco) on the western shores of Lake Malawi where a smallholder scheme with 200



growers and covering 660 ha aiso operates. The Dwanga estate covers

5,200 ha and experts say it is among the most cost-efficient in the world, with a modern mill and very low labour costs. However profitability has been hit by low sugar prices and rising debt repayments to over-seas creditors after successive

devaluations of the kwacha. Lonrho manages both estates. It holds a 51 per cent stake in Sucoma with the parastatal Agricultural Develop-ment and Marketing Corpora-tion holding the rest. The Government and the marketing corporation hold 68 per cent of Dwasco, Lourho 28 per cent and foreign financial insti-tutions the balance.

All caneland is irrigated. enabling a faster-maturing 12month crop.

The domestic market takes

about 60 per cent of Malawi's production while some 13 per cent is exported to the European Community at about double world market prices. Malawi has a 21,500 tonne quota under the Lomé trade and aid convention between the EC and the African, Caribcomprising 1 per cent of the total US import quota. About 13,000 tonnes goes to

Portugal at world market prices under a long-term agree-The balance of about 12,000 tonnes is exported to other African countries, including

Zaire, Burundi, Tanzania and Mozambique.

Observers say Malawi has a competitive edge over other regional producers such as Zimbabwe and Zambia.

Later Server

Malawi's sugar industry is ripe for expansion. Sources say the Government has been output, which have included controversial proposals to bring in another international company. But there is little bean and Pacific (ACP) group room to improve yields and a countries. Slightly less, about lack of suitable vacant land in 18,500 tonnes, is exported at this populous country limits an expansion in area. preferential prices to the US.

LONDON MARKETS

COPPER prices closed at the day's highs on the LME yesterday, again fallowing Comex, where prices 132.5 cents a lb for December. "Many London players still don't share fully New York's optimism as European supplies appear to be fairly pientiful at the moment," one trader said. However, bullish sentiment was fuelled by news of a possible closure of the Ok Tedi mine in Papua New Guinea for environmental reasons. This would reduce further a supply source to Japanese consumers who have aiready been hit by long closures at Bougainville and Canada's Highland ley. Coffee prices fell to fresh 14-year lows during the day, the January robusta contract touching 2636 a tonne before recovering to £655 at the close. Dealers said fundamentals remained extremely bearish.

| SPOT MARKETS | - | |
|---|--|---|
| Crede oil (per barrel FOB) | - | + 01 - |
| Dubai Brent Blend W.T.I. (1 pm est) | \$15.65-5.80q \$18.10-8.15q \$19.85-9.90q | 025 075 |
| Oil products (NWE prompt delivery per h | onne CLF) | + or - |
| Premium Gasoline Gas Oil Heavy Fuel Oil Naphtha Petroleum Argus Estimates | \$204-206 \$174-175 \$96-97 \$151-153 | +2 +1 |
| Other | | + 07 - |
| Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz) | \$363.0 509c \$486.25 \$136.25 | -0.25 -4 +0.10 -1.00 |
| Aluminium (free market) Copper (US Producer) Lead (US Producer) | \$1790 137 ⁵ 8-41 ¹ 2¢ 40.5¢ | + 10 + 3 ¹ 4 |
| Nickel (free market) Tin (Kuala Lumpur market) Tin (New York) Zinc (US Prime Western) | 485c 22-227 385.5c 80 ³ a c | +5 -0.09 -7.0 + 1 ₀ |
| Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)† | 115.56p 156.14p 107.32p | -0.45" +8.17" +4.11" |
| London daily sugar (rew) London daily sugar (white) Tate and Lyle export price | | -6.6 -6.0 -0.5 |
| Barley (English faed) Malza (US No. 3 yellow) Wheat (US Dark Northern) | £112.5x £124.0w £127.5w | +20 |
| Rubber (Spot) Rubber (Nov) Rubber (Dac) Rubber (KL RSS No 1 Nov | 56.00p 59.00p 59.75p 231.0m | +0.75 +0.75 +0.75 -1.5 |
| Coconut off (Philippines)§ Paim Oll (Malayslan)§ Copra (Philippines)§ Soyabeans (US) Cotton "A" index | \$475y \$320 \$315 £167q \$3.05c | +1 +0.45 |

t-Jan/Mar. v-Sep/Oct. w-Oct. q-Nov. z-Jan/ FebiMeat Commission average lastock prices. market. SCIF Rotterdam. - Bull

| Mar May | 754 | 753 | 759 747 | |
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| Aug | 296.20 | 292.20 | 296.00 293.00 | |
| Oct | 287.00 | 282.00 | 287.00 283.50 | _ |
| White | Close | Previous | High/Low | _ |
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| Nov Dec IPE India Turnove GAS Or Oct Nov Dec Jan Feb Mar Apr | 18.12 17.95 18.29 17.4052 (f L - FFE Close 173.25 171.25 169.50 187.75 168.50 167.00 | 18.22 18.02 18.25 18.25 273) Previous 170.75 189.25 187.75 188.00 182.50 182.50 185.50 | 18.18 18.11 17.98 17.95 17.96 17.95 17.95 170.25 171.50 169.90 169.50 168.25 164.50 168.25 164.50 168.00 165.50 168.00 157.75 157.90 | |
| Nov Dec IPE Indi Turnove GAS GI Oct Nov Dec Jan Feb Mar Apr | 18.12 17.95 18.29 17.4052 (f L - FFE Close 173.25 171.25 169.50 187.75 168.50 167.00 | 18.22 18.02 18.25 18.25 273) Previous 170.75 189.25 187.75 188.00 182.50 182.50 185.50 | 18.18 18.11 17.98 17.95 \$/torns High/Low 173.25 170.25 171.50 169.00 188.00 188.25 164.50 188.00 160.50 180.50 | |
| Nov Dec IPE Indi Turnove GAS Or Oct Nov Dec Jan Feb Mar Apr | 18.12 17.86 18.22 18.22 18.4052 (6 1. — PPE Close 173.25 171.25 189.50 187.75 184.60 187.00 187.00 | 18.22 18.02 18.02 18.25 18.25 170.75 169.25 167.75 169.25 167.75 169.25 169.00 162.50 162.50 | 18.18 18.11 17.98 17.95 \$/tonn High/Low 173.25 170.25 171.50 169.00 169.75 168.00 164.50 168.00 164.50 168.00 165.01 180.00 157.75 157.00 | - - |
| Nov Dec IPE Indi Turnove GAS Or Oct Nov Dec Jan Feb Mar Apr | 18.12 17.86 18.22 18.22 18.4052 (6 1. — PPE Close 173.25 171.25 189.50 187.75 184.60 187.00 187.00 | 18.22 18.02 18.02 18.25 18.25 170.75 169.25 167.75 169.25 167.75 169.25 169.00 162.50 162.50 | 18.18 18.11 17.98 17.95 \$/tonn High/Low 173.25 170.25 171.50 169.00 169.75 168.00 164.50 168.00 164.50 168.00 165.01 180.00 157.75 157.00 | - - - |
| Nov Dec IPE India Turnove GAS Ci Oct Nov Dec Jan Feb Mar Apr Turnove TEA There weeks report | 18.12 17.96 17.96 18.22 (f 1. 4052 (f 1. 405 | 18.22 18.02 18.02 18.25 170.75 169.25 167.75 168.00 162.50 189.00 156.50 189.00 156.50 189.00 | 18.18 18.11 17.98 17.95 17.98 17.95 17.95 170.25 171.50 169.00 188.75 169.00 168.00 168.25 164.50 168.30 160.50 160.60 157.75 157.00 100 tonnes | |
| Nov Dec Dec India Turnove GAS OR Oct Nov Dec Nov Dec Nov Dec Turnove Turnove Turnove Turnove weeks repois repois repois | 18.12 17.96 16.29 16.29 17.4052 (f L - FE Close 171.25 169.50 167.75 164.50 160.50 167.50 167.60 167.60 169.50 169 | 18.22 18.02 18.02 18.25 170.75 190.25 167.75 168.00 182.90 185.00 | 18.18 18.11 17.98 17.95 \$*torns High/Low 173.25 170.25 171.50 166.00 168.00 166.25 164.50 168.00 165.01 160.00 157.75 157.00 100 tornses is on offer at this to dishore, accidition. An different dispersed. | |
| Nov Dec Dec India Turnove GAS OR Oct Nov Dec Nov Dec Nov Dec Turnove Turnove Turnove Turnove weeks repois repois repois | 18.12 17.96 16.29 16.29 17.4052 (f L - FE Close 171.25 169.50 167.75 164.50 160.50 167.50 167.60 167.60 169.50 169 | 18.22 18.02 18.02 18.25 170.75 190.25 167.75 168.00 182.90 185.00 | 18.18 18.11 17.98 17.95 17.98 17.95 17.95 170.25 171.50 169.00 188.75 169.00 168.00 168.25 164.50 168.30 160.50 160.60 157.75 157.00 100 tonnes | |

| y | 675 | 689 | 673 864 | |
|--|--|--|--|---|
| _ | 693 | 718 | 690 680 | |
| P Y | 715 730 | 738 753 | 705 698 720 | |
| | | 5098) lots o | | - |
|) Ind | licator or | ices (US c | ente per pound) fo | • |
| 1 Bt (1 46 (8 | comp. dali | ly 59.88 (6 1 | .51). 15 day averag | 0 |
| _ | | | | - |
| | - Lond | | (\$ per tonne |) |
| <u> </u> | Close | Previous | High/Low | |
| o r | 312.20 | 307.00 308.00 | 312,20 307.00 | |
| y | 307.40 302.60 | 298.20 | 303.00 298.60 | |
| 9 | 298.20 | 292.20 | 308.00 302.40 303.00 298.80 298.00 293.00 | |
| <u> </u> | 287.00 | 282.00 | 287.00 283.00 | |
| ille . | Close | Previous | High/Low | _ |
| c | 388.50 | 384.40 383.50 | 388.00 387.00 387.00 | |
| r Y | 387.50 386.50 | 382.50 | 387.00 386.00 | |
| 2 | 290.00 | 366.00 | 386.00 386.50 | |
| i. | 373.50 387.50 | 367.00 | 374.00 388.00 385.00 | |
| 5 T | 387.00 | | 388.00 385.00 | |
| TIOVE | | | lots of 50 tonnes | ī |
| ite 1 | 093 (1370 |). | 16): Dec 2490, Ma | _ |
| (18- \ | White (F7 | 7 per toni Aug 9516 (| ne): Dec 2490, Ma Oct 2405, Dec 2345. | • |
| | | | | _ |
| UD E | OIL - E | PE | Wharre | 4 |
| | Clos | e Previo | | _ |
| | 18.12 | | 18.18 18.11 17.98 17.95 | |
| | | | | |
| C Lincte | 17.95 w 18.29 | 18.25 | 17.20 17.20 | |
| Inde | ex 18.29 | 18.25 | | _ |
| inde nove | 94 18.29 Hr. 4052 (5 | 18.25 | | _ |
| inde nove | 18.29 F. 4052 (S | 18.25 | \$/torine | _ |
| nove S Qu | 18.29 Fr. 4052 (5 L — FFE Close | 18,25 (278) Previous | \$/tonne | _ |
| nove S Qu | 18.29 F: 4052 (f L - FFE Close | 18.25 (278) Previous | \$/tonnx High/Low 173.25 170.25 121.50 166.00 | |
| Inde | 18.29 F. 4052 (C L - FE Close 173.25 171.25 169.50 | 18.25 170.75 169.25 167.75 | 3/tonno High/Low 173.25 170.25 171.50 169.00 159.75 168.00 | ======================================= |
| inde | 18.29 F. 4052 (E L - FE Close 173.25 171.25 169.50 187.75 | 18.25 170.75 169.25 167.75 168.00 | \$/torne High/Low 173.25 170.25 171.50 169.00 159.75 168.00 168.00 168.25 | _ |
| Inde | 18.29 F. 4052 (C L - FE Close 173.25 171.25 169.50 | 18.25 170.75 169.25 167.75 | High/Low 173.25 170.25 171.50 166.00 158.75 168.00 168.00 168.25 164.50 168.00 160.50 168.00 | ======================================= |
| Inde | 18.29 c. 4052 (f L - EPE Close 173.25 171.25 169.50 167.50 160.50 | 18.25 170.75 199.25 167.75 168.00 188.00 156.50 | High/Low 173.25 170.25 171.50 166.00 158.75 166.00 168.00 166.25 164.50 163.00 160.50 160.50 157.75 157.00 | |
| Inde | 18.29 c. 4052 (f L - EPE Close 173.25 171.25 169.50 167.50 160.50 | 18.25 170.75 199.25 167.75 168.00 188.00 156.50 | High/Low 173.25 170.25 171.50 166.00 158.75 168.00 168.00 168.25 164.50 168.00 160.50 168.00 | |
| inde | Close 173.25 169.50 187.75 169.50 167.50 167.00 r 3486 (1 | 18.25 Previous 170.75 169.25 167.75 168.00 162.50 156.50 0523)lots of | \$/tornet High/Low 173.25 170.25 171.50 166.00 168.07 168.00 168.05 168.05 164.50 168.05 160.50 160.60 157.75 167.00 | _ _ _ |
| inde | Close 173.25 169.50 187.75 169.50 167.50 167.00 r 3486 (1 | 18.25 Previous 170.75 169.25 167.75 168.00 162.50 156.50 0523)lots of | \$/tornet High/Low 173.25 170.25 171.50 166.00 168.07 168.00 168.05 168.05 164.50 168.05 160.50 160.60 157.75 167.00 | _ _ _ |
| S Ci | 18.25 (#L - FE Class 173.25 171.25 169.50 167.50 16 | 18.25 Previous 170.75 169.25 167.75 168.00 182.50 150.00 156.50 0823)lots of | High/Low High/Low 173.25 170.25 171.50 166.00 168.07 166.00 168.07 166.25 164.50 163.00 160.50 160.50 157.75 167.00 100 termes | _ |
| S Ci | 18.25 (f. 4052 (f. L - FE 173.25 171.25 184.50 180.50 187.75 184.50 185.00 at 3465 (1 were 16.4 auction, | 18.25 170.75 169.25 167.75 168.00 162.50 169.00 165.50 0823)lots of | ###################################### | - - |
| indemove S Quantity nove EA here seks sports | 18.25 (f. 4052 (f. 1. 4052 (f. | 18.25 170.75 169.25 167.75 168.20 162.50 159.00 156.50 0323) kits of | ##gh/Low 173.25 170.25 171.50 166.00 198.75 166.00 198.00 166.25 164.50 160.50 160.50 160.50 100 tonnes s on offer at this to offshore, sociation. An d demand | |
| indemove S Quantity nove EA here seks sports | 18.25 (f. 4052 (f. 1. 4052 (f. | 18.25 170.75 169.25 167.75 168.20 162.50 159.00 156.50 0323) kits of | ##gh/Low 173.25 170.25 171.50 166.00 198.75 166.00 198.00 166.25 164.50 160.50 160.50 160.50 100 tonnes s on offer at this to offshore, sociation. An d demand | |
| Trove | 24 18.25 (f. L - FTE Close 173.25 171.25 189.50 187.75 184.60 185.00 kg 3495 (f. L Ten | 18.25 Previous 170.75 169.25 167.75 168.00 168.50 159.00 156.50 0823)lots of 150 package including 86 Brokers' A- a widespress met larg ir resilised was were well of were well | ##gh/Low 173.25 170.25 171.50 166.00 198.75 166.00 198.07 168.00 198.05 180.50 160.50 180.50 100.50 | |
| move s Que move seks sport crive angli rice i | 24 18.25 (f. L - EFE Close 173.25 194.50 197.75 194.50 195.75 194.50 at 2405 (f. L - EFE CLOSE 185.50 at 2405 (f. L - EFE CLOSE 185. | Previous 170.75 169.25 167.75 168.20 158.00 168.50 168.50 168.50 168.50 169.00 179.00 189.00 | High/Low High/Low 173.25 170.25 171.50 168.00 168.07 168.00 168.07 168.00 168.07 168.00 160.50 168.00 160.50 168.00 150.75 157.00 100 tonnes us on offer at this 00 offshore, sacciation. An add demend rowed ery firm on authorization and proved | |
| inde | 24 18.25 (f. 4.052 (f. 4.0 | Previous 170.75 169.25 167.75 168.00 162.50 158.00 | High/Low High/Low 173.25 170.25 173.25 170.25 173.25 170.25 173.25 170.25 188.00 188.00 188.00 188.00 180.50 180.60 157.75 187.00 100 tennes as on offer at this 00 offeriore, seccistion. An didemand reveal at the supported at the firm on all increased on turner galas. | |
| move s Ce | 24 18.25 (f. L 18. | 18.25 Previous 170.75 169.25 167.75 168.50 158.00 1 | High/Low High/Low 173.25 170.25 171.50 166.00 168.07 166.00 168.07 166.50 160.50 160.50 150.50 160.50 150.75 167.00 100 tonnes as on offer at this to dishore, secciation. An d demand moved ery firm on ad increased g further gains n of offshore with brieft | |
| Trove S Co | 18.26 pt 4052 (f L - FE Close 173.25 189.50 187.75 184.60 180.50 187.70 180.50 187.70 180.50 187.70 180.50 187.70 180.50 187.70 | Previous 170.75 169.25 167.75 169.25 167.75 168.00 182.50 188.00 186.50 03233 lots of 03233 lots of 03233 lots of 0424 lots of 0444 lot | High/Low 173.25 170.25 171.50 166.00 156.75 166.00 166.05 166.25 164.50 166.25 164.50 163.00 150.50 160.60 157.75 167.00 100 tormes s on offer at this 0 offshore, seoclation. An d demand reved reved reved reved gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, with bright rev. Cuctations: | |
| Trove S Call Trove | ax 18.25 (f. L - EPE Close 1773.25 (f. L - EPE Close 18.45) (f. L | Previous 170.75 170.75 109.25 167.75 108.25 167.75 108.00 169.00 169.00 165.50 0323)lots of 160.50 0323)lo | High/Low High/Low 173.25 170.25 171.50 166.00 168.07 166.00 168.07 166.50 160.50 160.50 150.50 160.50 150.75 167.00 100 tonnes as on offer at this to dishore, secciation. An d demand moved ery firm on ad increased g further gains n of offshore with brieft | |
| Trove S Call Trove | 18.26 pt 4052 (f L - FE Close 173.25 189.50 187.75 184.60 180.50 187.70 180.50 187.70 180.50 187.70 180.50 187.70 180.50 187.70 | Previous 170.75 170.75 109.25 167.75 108.25 167.75 108.00 169.00 169.00 165.50 0323)lots of 160.50 0323)lo | High/Low 173.25 170.25 171.50 166.00 156.75 166.00 166.05 166.25 164.50 166.25 164.50 163.00 150.50 160.60 157.75 167.00 100 tormes s on offer at this 0 offshore, seoclation. An d demand reved reved reved reved gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, with bright rev. Cuctations: | |
| Trove S Call Trove | ax 18.25 (f. L - EPE Close 1773.25 (f. L - EPE Close 18.45) (f. L | Previous 170.75 170.75 109.25 167.75 108.25 167.75 108.00 169.00 169.00 165.50 0323)lots of 160.50 0323)lo | High/Low 173.25 170.25 171.50 166.00 156.75 166.00 166.05 166.25 164.50 166.25 164.50 163.00 150.50 160.60 157.75 167.00 100 tormes s on offer at this 0 offshore, seoclation. An d demand reved reved reved reved gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, with bright rev. Cuctations: | |
| Trove S Call Trove | ax 18.25 (f. L - EPE Close 1773.25 (f. L - EPE Close 18.45) (f. L | Previous 170.75 170.75 109.25 167.75 108.25 167.75 108.00 169.00 169.00 165.50 0323)lots of 160.50 0323)lo | High/Low 173.25 170.25 171.50 166.00 156.75 166.00 166.05 166.25 164.50 166.25 164.50 163.00 150.50 160.60 157.75 167.00 100 tormes s on offer at this 0 offshore, seoclation. An d demand reved reved reved reved gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, with bright rev. Cuctations: | |
| Trove S Call Trove | ax 18.25 (f. L - EPE Close 1773.25 (f. L - EPE Close 18.45) (f. L | Previous 170.75 170.75 109.25 167.75 108.25 167.75 108.00 169.00 169.00 165.50 0323)lots of 160.50 0323)lo | High/Low 173.25 170.25 171.50 166.00 156.75 166.00 166.05 166.25 164.50 166.25 164.50 163.00 150.50 160.60 157.75 167.00 100 tormes s on offer at this 0 offshore, seoclation. An d demand reved reved reved reved gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, supported at ly firm on d increased gry firm rates, with bright rev. Cuctations: | |

| Copper, | Grade A | (E per to | nne) | | | F | Ting turn | 10ver 43,0 | ennet 900 |
|------------------|--------------------|-----------------------|------------------------------|------------------------|--|--|-------------|---|------------------|
| Cash 3 months | 1868- 1869- | | 1822-4 1825-6 | 1868/1830 1871/1837 | 1830-1 1839-40 | 186 | 2-3 | 72,000 | : 3 lots |
| Leed (t) | per tonne |) | | | | F | ling turn | cover 10,7 | OU tonne |
| Cash 3 months | 458-9 459-0 | , | 457-7.5 458-8.5 | 463/457 | 456-7 457-8 | 483 | H4 | 12,842 | lots. |
| Mickel (\$ | per tonn | e) | | | | | Ring tur | mover 1,0 | 76 tonne |
| Çesh | 10600 | -ස | 10350-90 | 10500/104 | | , | | | |
| 3 months | s 10300 | <u>-50</u> | 10150-75 | 10300/102 | 01 10225-50 | 104 | 25-50 | 5,957 | |
| Tim (5 pe | _ <u>_</u> | | | | <u> </u> | | Aing t | urnover 2 | 55 tonne |
| Cesh 3 months | 8375-4 8375-4 | | 8470-80 8470-80 | 8400/8370 | * 8390-80 8370-400 | 838 | 0-95 | 5.573 | lote |
| | | | \$ per tonne) | | | | | | 775 tonne |
| Cash | 1665-7 | | 1865-7 | 1663/1660 | 1682-3 | | | | |
| 3 months | s 1880-k | 5 | 1665-6 | 1670/1855 | 1864-6 | 166 | 3-5 | 14,154 | lots |
| - | er tonne) | | | | | | Ring tur | mover 3,6 | 75 tonne |
| Cash 3 months | 1615-4 1600-4 | | 1600-10 1590-600 | 1615 | 1611-2 1590-5 | 161 160 | 0-20 | 4,625 | less. |
| | eing £/\$ | | 1000-000 | | - No. | 100 | | -,023 | |
| SPOT: 1. | 5775 | | 3 months: 1.553 | 38 | 6 months: | 1.5289 | | 9 mont | ns: 1.5110 |
| | | | | | | | | | |
| POTATO | | _ | | E/tonne | LONDON BU | | | | |
| | Close | Previou | | 2 Williams | | | | | |
| Nov | 137.3 | 138.0 | 139.0 137.5 | | Gold (fine oz) | | | sylupe 3 | |
| Арг | 211.0 | 212.0 | 212.9 210.0 | | Close Opening | 362 k-36 363 k-36 | | 230-230 ¹ 226 ¹ 2-22 | |
| May | 240.0 | 237.0 | 238.0 296.0 | | Morning fix | 362.95 | - | 229,715 | - |
| IUITIDAG | 200 (IK |) los di | 40 коплев. | | Attention fix Day's high Day's low | 363 ¹ 2-36 362 ¹ 2-36 | | 229.975 | |
| SOYABE | AN ME | L - 45 | E . | Enonne | | | | | |
| | Close | Previou | High/Low | | Coins | \$ price | | Sviupe 3 | lent |
| Dec | 140.50 | 143.00 | 140.50 | | Mapleleat | 372-377 | | 236-239 | |
| Apr | 143.00 26 (75)k | | 143.00 | <u> </u> | Britannia US Eagle | 872-877 372-877 | | 256-259 256-239 | |
| 10:10101 | en (roh | ,,,, v, <u>z</u> , | MARIOS. | | Angel | 37212-37 | 75 | 236-239 | 41 _ |
| FREEH | 7 BHT16 | 63 - B | FE \$10/Inde | | Krugerrand New Sov. | 362-365 85 4-86 1 | <u>k</u> . | 2291 ₂ -23 64-541 ₄ | 4-2 |
| | Close | Previou | | w boss | Old Sov. | 85 ¹ 4-86 ¹ | | 54-544 | · · |
| Oct | 1520 | 1529 | 1529 1520 | | Noble Plat | 492.35-5 | UU.15 | 310.55-3 | 15.45 |
| Nov Jan | 1600 1621 | 1601 1 62 5 | 1601 1593 1625 1620 | | Silver fix | p/fine or | 2 | US cts e | viup |
| Apr | 1645 | 1651 | 1650 1645 | | Spot | 324.60 | | 513.00 | |
| Jul BR | 1414 1470 | 1412 1488 | 1415 1410 | | 3 months 6 months | 336.75 349.15 | | 524.40 535.70 | |
| Turnover | | | | | 12 months | 372.60 | | 558.00 | |
| | • | • | | | TRADED OPT | TORS | | | |
| GRAINS | - BFE | | - | E/tonne | Alumbatum (9 | 9.7%) | Cells | | ² vts |
| Wheat | Close | Previou | a High/Low | | Strike price 5 | <u>-</u> - | | | Jan |
| Nov Jan | 108.75 113.25 | 108.05 112.50 | 108.80 108.3 | | 7700 | 10 | | | 44 |
| Mar May | 116.50 | 115.86 | 113.25 112.4 116.60 116.1 | iO | 1800 1900 | 41 | 56 | 44 | 93 |
| Jun . | 119.65 121.15 | 119.00 120.50 | 119.70 119.3 121.20 120.3 | 25 78 | | 11 | Calls | 118 | 161 |
| | | | | | Copper (Grad 2900 | | | | uts |
| Barley | Close | Previou | s High/Low | | 2900 | 18 11 | | 51 | 96 142 |
| Nov Jan | 108.55 110.55 | 108.30 | 105.75 106.4 | •0 | 2960 | 64 | 97 | 111 | 199 |
| Mar | 113.70 | 110.25 113.50 | 110.70 110.4 113.80 113.4 | 50 36 | Coffee | No | ov Jan | Nov | Jan |
| May | 115.50 | 115.20 | 116.50 115.5 | 5 0 | 600 | 72 | 74 | 3 | 19 . |
| Turnover | · lots of 1 | 476 (342) 100 tome | , Barley 145 (4 | 141). | 650 700 | 34 11 | | 15 42 | 40 70 |
| | | | - | | | | | | |
| PIQS - | SPE | | Cash Settleme | nt) o/ka | Cocca 700 | D: | | r Dec 29 | Mar 44 |
| | Close | Previous | | | 750 750 | 56 | | 52 52 | 72 |
| Oct | 135.0 | 135.0 | 184.0 | | 800 | 35 | | 81 | |
| Nov Feb | 136.0 123.5 | 135.8 123.0 | 135.0 | | Brent Crude | Di | ec Jan | Dec | Jan |
| Apr | 124.0 | 124.0 | 124.0 | | 1800 | 37 | | 41 | |
| Jun | 122.0 | 123.0 | 121.0 | | 1850 | 18 | 36 | 41 | |
| . UE HOYOT | 11 (25) | .v⇔ UT 3, | en kä | | 1900 | 8 | 22 | | |

| lives as to futur man was com selle | lower with light volume seen. The livestocks had lower prices in bellies as technical selling pressured the futures. Hogs gained as packer cutout margins are in black. Cattle trading was mixed. Cotton prices fell as commission houses were the best sellers. Expiration of the October futures was uneventful. The energy complex was only local participants. | | | |
|---|--|---|--|---|
| | | /ork | | . — — |
| GOTE | 100 troy | oz.; S/Iroy | OZ. | |
| | Close | Previous | High/Lo | × |
| Oct | 363.1 | 363.7 | 363.2 | 362.6 |
| Nov | 365.6 | 366.2 366.2 | 0 368.0 | 0 368.3 |
| Dec Feb | 387.A 371.A | 872.2 | 371.9 | 371.0 |
| Apr | 375.5 | 376.3 | 378.0 | 375.0 |
| Jun | 379.5 . 383.4 | 390.3 284.3 | 379.4 0 | 379.4 0 |
| Aug Oct | 387.6 | 268.6 | ŏ | ŏ |
| Dec | 391.8 | 382.8 | 0 | 0 |
| Oct Nov Jan Apr Jel Oct | Ciosa 485.3 486.8 491.3 495.0 488.7 502.3 | Previous 487.1 488.6 498.1 496.9 500.6 504.2 | High/Lo 487.5 0 493.0 493.0 498.0 6 | 485.0 0 489.0 483.0 488.5 0 |
| SILVE | A 5,000 tr | roy oz; cent | aftroy car. | |
| | Close | Previous | High/Lo | w |
| Oct Nov Dec Jan Mar May Jul Sep Dec | 505.0 508.4 512.8 516.2 523.7 531.2 538.9 546.7 537.9 | 511.7 516.1 518.0 622.0 630.6 638.4 546.3 554.3 585.8 | 0 520.5 0 530.5 535.0 545.8 563.0 585.0 | 0 511.5 0 522.5 532.0 549.0 558.0 |
| Jen | 561.6 | 569.7 | . 6 | a |

US MARKETS

MOST MARKETS featured very inactive

sessions, as holidays kept many away, reports Drexel Burnham Lambert, in

the metals, gold, silver and platinum were lower for most of the day

flecting a firm U.S. dollar. Coppe

posted a modest raily as trace purying lifted prices. Coffee and cocca trading

were both dull. All of the grains drif

advanced on fund buying but also with very light volume. In the softs, sugar

| BEDIC | 15 | . Casta | | |
|-------|------------------|------------------|------------------|------------------|
| REVIE | Oct 6 | | mnth ag | |
| | 1855.3 | 1856.9 | 1914.9 | 1885.4 |
| DOW 3 | ONES (B | se: Dec. | 31 1874 = | 100) |
| | 129.82 130.68 | 129.48 130.98 | 129.46 130.62 | 132,40 136,56 |

| :_ | · | | | | <u> </u> | · · · · · · | <u> </u> | | |
|------------|------------------|------------------|------------------|--|----------------|-------------------------|----------------|--------------------|------------------|
| COP | PER 25.00 | O lbe; cent | /the | | _ CI | hicas | 30 | : . | ·· , |
| | Close | Previous | a High/Lo | ₩ · - | - = | | .000 bu gain: | anale (CCC) | - |
| Oct | 134.85 | 134.95 | 0 | 0 | - 501 | | | | |
| Nov | 133.60 | 133.06 | 0 | 0 | | Close | Previous | High/Lot | <u> </u> |
| Dec | 131.60 | 131.40 | 132_90 | 130.00 | Nov | 566/6 | 567/4 | 568/0 | 556/0 |
| | | | | | Jan | 568/4 | 578/6 | 677/0 | 968/0 |
| ~~ | | 40 000 | usll- f | - | _ Mar · May | 581/0 586/6 | 592/6 601/6 | 590/0 599/0 | 580/4 580/4 |
| CAU | | ght) 42,000 | | PLEATER . | - 44 | 59770 | 606/8 | 605/0 | 597/0 |
| | Lefost | Previous | . High/Lo | w | Aug | 594/0 | - 608/2 | 682/4 | 594/0 |
| Nov | 19.88 | 19.87 | 19.89 | 19.80 | Sep | -580/4 | 588/0 | 587/0 | · 580/4 |
| Dec | 19.72 | 19.68 | 19.78 | 19.52 | | | | • | |
| Jest | 19.50 | 19.45 | 19.51 | 19.44 | BOW | ADCAN A | . 80,000 fbe; | nomen/In | |
| Feb | 19.32 | 19.27 | 19.82 | 19.26 : 18.95 | | | | | |
| Apr | 18.96 | 18.99 | 19.00 | 10.80 | | Close | Previous | High/Low | <u>'</u> |
| | | | | | Oct | 18.18 | 18.44 | 18.42 | 18.12 |
| 1947 | - A | 12.000 US o | -11 | # IR H- | - Dec | 18.54 | 18.80 | 18.84 | 18.52 |
| | | | <u> </u> | | _ Jan Mar | 15.79 | 19.00 | 19.05 | 18.75 |
| | Latest | Previous | High/Lo | <u> </u> | - May | 19.24 19.50 | 19.44 19.88 | 19.45 · · 19.81 | 19.15 19.55 |
| Nov | - 5840 | 5818 | 5B45 ' | 6905 | رت البال | 19.95 | 20.25 | 20.21 | 18.90 |
| Dec | 5890 | 5863 | 5900 | 5845 | Aug | 19.99 | 20.30 | 19.98 | 20.00 |
| Jan Mar | 5835 5480 | 5810 | 6835 | 5785 E400 | · Sep | · - 20,02 · | 20.32 | 20.00 - | -20.05 |
| Apr | 5265 | 5460 5250 | 5480 5265 | 5460 5260 | | | | <u> </u> | |
| May | 5156 | 5095 | 5155 | 5090 | 80Y/ | MEAN ME | AL 100 tons; | \$/ton . | |
| Jul | 5000 | 4950 | 8000 | 4090 | | Close | Previous | High/Low | r . |
| | | | | | Oct | | | | |
| | | | - | | - Dec | 188.7 181.9 | 190.7 184.5 | 1903 183.9 | 188.5 181.8 |
| COC | DA 10 Loca | nee;\$/tonne | | | _ Jan | 180.5 | 182.7 | 182.3 | 180.2 |
| | Close | Previous | High/Lor | , | Mar | 179.1 | 180.9 | 180.5 | 179.0 |
| Dec | 1007 | 1005 | 1017 | 998 | May | . 178.3 | 179.7 | 179.5 | 178.2 |
| Mar | 1012 | 1017 | 1023 | 1004 | Jul Aug | 176.8 | 178.3 | 178.0 | 176.8 |
| May | 1025 | 1030 | 1030 | 1021 | Sep | 176.0 175.5 | 177.0 176.0 | 177.0 178.5 | . 176.0 176.5 |
| 迦 | 1042 | 1050 | 1050 | 1040 | | | | iron | 1100 |
| Dec | 1091 1120 | 1099 1126 | 1100 | 1092 | | | | | |
| - | 1120 | 1120 | U | | MALZ | E 5,000 61 | min; cents/2 | oib bushel | |
| | | | | ÷ , | | Close | Previous | High/Low | |
| COFF | EE "C" 3 | 7,500lbs; cs | rate/lbs | | Dec | 235/0 | 238/6 | 238/0 . | 234/6 |
| | Ciose | | | | Mar | 242/0 | 245/4 | - 244/4 | - 241/6 |
| | | Previous | | | May Jul | 247 <i>1</i> 2 249/0 | 251/0 253/0 | 249/4 | 247/0 |
| Dec Mar | 68.72 71.25 | 70.39 72.72 | 70.80 | 68.50 | . Sep | 241/0 | 244/0 | 252/0 243/0 | 248/8 241/0 |
| May | 73.00 | 74.46 | 72.72 74.40 | 71.00 72.75 | | | | | |
| Jul | 75.25 | 77.01 | 77.00 | 74.85 | | T = 000 L | | <u> </u> | <u> </u> |
| Sep | 77.80 | 79.25 | 79.00 | 77.25 | - MINE | | min; cents/ | 2010-pristies | <u> </u> |
| Dec | 80.78 83.75 | 82.50 85.00 | . 81.50 | 81.00 | · | Close | Previous | High/Low | |
| | 65.70 | | | ď | Dec | 406/2 | 411/4. | 411/0 | .408/0 |
| | | | | | Mar | 402/2 | 407/2 | 407/6 | 402/0 |
| SUG | R WORL | 711 112,0 | 000 lbs; ce | nts/lbs | - May Jul | 385/0 354/8 | 989/2 357/6 | . 388/Z · | 365/0 363/4 |
| _ | Close | Previous | High/Los | | Sep | 359/4 | 363/4 | 357/0 359/4 | 359/4 |
| - | 18.44 | 13.30 | | | • | | | - | |
| Jan Mar | 13.75 | 13.61 | 0 13.85 | 0 13.61 | 100 | | | | |
| May | 13.55 | 13.41 | 13.60 | 13.43 | | | ,000 lbe; cen | tu/lbs | <u> </u> |
| Jul | 13.38 | 13.19 12.80 | 13.40 | 13.23 | | Close | Previous | High/Law | |
| Oct Mar | 12.99 12.75 | 12.54 | 13.00 C | 12.82 · | Oct | 71.95 | 71.67 | 72.05 | 71.65 |
| (comm | | | • | • | : Feb | 73.82 73.85 | 78.85 | 74.00 | 78.40 |
| | | | | | . Apr | 74.17 | 78.75 74.27 | 74.00 74.40 | 73.45 73.95 |
| COTT | ON 50,000 | ; centralibe | | | Jun | 71.52 | 71.57 | 71.75 | 71.85 |
| | Close | Previous | High/Lov | , | • | | • | | |
| Oct | 74.58 | 76.00 | 75.70 | 74.50 | LIVE | 10GB 30 0 | 00 lb; cente/1 | | |
| Dec | 78,86 | 75.15 | 74.85 | 73.50 | ==== | | | | |
| Mar | 74.99 | 76.10 | 75.70 | 74.66 | | Close | Previous | i:Egh/Low | |
| May | 75.76 75.57 | 78.72 76.55 | 76.00 : 76.10 | 78.40 | Oct | 46.60 | 46.15 | 46.68 | 45.93 |
| Jul Oot | 69.77 | 70.18 | 70.00 | 75.30 60.70 | Pec | 45.42 46.97 | 44,92 45,37 | 45.47 | . 44.75 |
| Dec | 66.77 | 67.26 | 67.00 | 66.66 | - Apr | 43.37 | 43.12 | 46.00 43.47 | 45.25 43.00 |
| | | | | | Jun | 48.00 | 47.95 | 48.00 | 47.70 |
| 004 | OF JUNE | 15,000 lbs; | cente/fine | | , . dul | 48.20 | 48.22 | 48.22 | 47.97 |
| | | | | <u>:</u> | Aug | 46.90 . | 46.82 | 45.90 | 46.70 |
| | Close | Previous | High/Lou | <u></u> | | | <u> </u> | | |
| | 135.75 | 138.65 | 137.20 | 135.60 | PORK | BELLES 4 | 10,000 lbs; cs | mte/lb . , | |
| Jan | 131.00 | 130.75 | 131.75 | 130.50 | | Close | Previous | High/Low | |
| Mar May | 130.60 130.60 | 130.65 130.30 | 131.00 130.60 | 180.00 130.60 | Feb | 40.57 | 47.12 | | 40.00 |
| Jul | 130.50 | 130.40 | 8 . | O IONTON | Mar | 46.37 | | 47.27 47.00 | 48.25 48.02 |
| Sep | 130.40 | 130.25 | 8 . | O | May | 46.97 | 47.46 | 47.47 | 46.75 |
| Nov | 130.40 | 130,25 130,25 | 0 . | 0 | | 46.65 | 47.12 | 47.60 | 45.55 |
| Mer | 130.40 | 100.20 | 0 | 6 . | Aug | 44.77 | 45.37 | 45.55 | 44,77 |
| | | | | | | | | | |
| | | | | | | | | | |

LONDON STOCK EXCHANGE

Sterling's fall sends equities reeling

sterling to below DM 3.00 dealt a fresh and brutal blow to confidence in the London equity market yesterday. Share prices were struck lower from the opening and attempts to steady at the FT-SE 2,250 mark merely tempted out a few more sallers. The market closed very near the day's low with a loss of more than 30 points on the Footsie Index. Turnover was a modest 425.8m shares.

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Sterling's heavy fall, which began in the Far East and largely preceded the opening of the London equity market after the weekend, presented the City of London with two new causes for dismay. It raised the

Second thoughts on Jaguar

There was no stopping Jaguar from once again taking centre stage in the motors and engi-neering sector. Weekend press suggestions that General Motors might take a stake knocked Jaguar shares back sharply as the London market took the view that such a development might drive away Ford. Volume quickly expanded to 10m shares as UK profit-takers found ready buyers at US broking house

Jaguar's formal acknowledgement that it was in talks with GM over joint ventures and a possible minority stake in Jaguar came shortly after the market closed. Jaguar shares ended 46 lower at 685p.

with prices drifting weaker in after hours trading. Dealers said the market feared an agreed GM stake might persuade Ford, which has said it wants to take 15 per cent of Jaguar, to back away from an auction for the UK luxury car maker.

However, analysts and marketmakers were divided about whether sellers had been more astute than buyers, One dealer insisted that "the market has come to its senses." But Mr Gavin Launder, analyst at Kleinwort Benson, could not see how Jaguar and General Motors could tie up a friendly deal without shareholder approval. Shareholders are unlikely to want to block posaible higher bids."

Burmah strong

Among a small number of Footsle stocks showing a gain on the session, Burman Oil stood out with a steep rise wild market talk that a stakebuilding operation could be in motion as a possible prelude to a full bid. a full bid

mah might be gearing up to launch a bid for Calor and would help finance this by sellring its near 30 per cent stake in Premier Consolidated Olifields. Dealers and specialists pointed out that neither of

hese stories was new and that both had been given a good airing in the past few months, with nothing coming of either

Burmah shares were up and running at the outset, beloed by a couple of recent positive notes on the stock, notably from Hoare Govett and Citicorp Scringeour Vickers. Buying gathered pace, however, when a 505,000 block was recorded on the Sead ticker, although it was later revealed as a trade reporting error

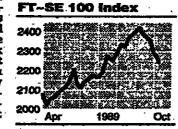
Account Dealing Dates Option Healers Oct 12 Nov 9 Oct 13 Access Degs Oct 23

Nov 6

Nov 20

spectre of yet another rise in domestic interest rates in an equity market barely recovered from the shock of last week's move up to 15 per cent base rates; with the Conservative Party Conference opening this morning, it also raised the probability of internal pres-

sures within the Thatcher Govegainst the D-Mark (DM per £) 3.20 3.15 3.10 3.05 3.00 3.00



2.95

Citicorp, which is said to have built a 4 per cent-plus stake in Burmah for SHV, the Dutch group, in past months, were seen to be keen buyers of Burmah yesterday, leading to talk that it was adding to its stake of 7.8m shares. Burmah closed 18 higher at 619p, after 621p, while Calor jumped 10 to 415p. Premier eased a penny to

Stores had a grim day as the weak sterling raised the spectre of yet another interest rate rise. The more speculative issues fell steeply, and even Marks & Spencer, acknowledged to be the most defensive stock in the sector, slipped 2% to 187p.

Tesco closed unchanged at 193p and remained the sector's favourite defensive stock. Analysts at Kitcat & Aitken recommended investors add to their holdings of Tesco as they believe it is set to assume Sainsbury's mantle as the industry leader in the 1990's. The defensive nature of the food retailing sector helped most of the larger companies avoid the sharp losses of the rest of the market. Sainsbury's closed fi lower at 259p, while Argyll eased 4 to 217p and Asda fell 7 to 167p. Unilever recorded the second largest terday, boosted by sterling's fall, particularly against the DMark. "With 82 per cent of Unilever's profit's coming from overseas and a large part of that coming from Europe ster-

ling's decline was good news for Unilever," said Mr David Shaw of Laing & Cruickshank.

NEW FIGHS (53).
BRITISH FURDS (1) LOAMS (1) AMERICANS
(11) CANADIANS (2) BANCE (2) CHENICALS
(1) STORES (1) ENGANCEMENT (3) HOTELS
(2) ROUSTRALS (2) ETR Nylor, Grabo
(3), SOUTH AFRICANS (1) TRANSPORT (1).
FRUETS (14) CALS (2) TRANSPORT (1).
HEW LONG (225).
BRITISH FUNDS (17) LOAMS (2) BANCS
(1) BREWERS (1) BRILDINGS (2).

(1) BREWERS (1) BUILDINGS (23) CHEMICALS (3) BTORES (12) ELECTRICALS (18) ENGINEERING (13) POODS (4) HOTELS (3) BUILDITUALS (6) Automon Bros., Amberley, Avon Rubber, BLP, Berlow,

ernment and from its support-

The FT-SE Index ended the day at 2,247 with some traders asking themselves whether it would continue to fall towards the 2,200 mark predicted by a number of equity analysts. Concern that the latest hike in interest rates could tip the UK economy into recession was heightened by a depressing survey of industrial opinion by Dun & Bradstreet, the market and business data group. From within the London market, Kleinwort Benson commented: Higher interest rates have clearly increased the risk of

Interest rate pressures were of both Dutch and UK Unilever shares and light arbitrage buy-ing, as holders of Unilever's Dutch shares moved into the cheaper UK shares. Mr Carl Short of Kitcat & Aitken said Unilever's UK shares were trading at an 8.5 per cent dis-count to their Dutch counterparts. "Historically, that is quite a big discrepancy and the eurs appear to be realising it," he said. Unilever closed up 9 at 649p.

Among the rest of the food manufacturing sector, waning bid speculation depressed some shares. Dalgety dropped 13 to 413p, and United Biscuits fell 10 to 362p, though RHM closed changed at 440p.

Cadbury Schweppes fell back on news that General Cinema, the US group which holds a 16.9 per cent stake, was set to join the bidding for Saks Fifth Avenue, part of the retail group that has been put for sale by BAT. Dealers said the market had assumed that General Cinema would probably sell its Cadbury's stake to buy

However, Cadbury's shares stabilised after it was announced that General Cinema had taken up all the shares offered to it in a recent Cadbury's rights issues. Although some traders said this meant a bid by General Cinema could not be ruled out analysts argued that General had moved to ensure its hold-ing was not diluted, thereby maintaining a strategic hold-ing in Cadbury. Cadbury

closed down 12 at 379p. Guinness was one of only six FTSE 100 stocks to show an improvement. Positive weekend press comment on its stake in French drinks and luxury good group LVMH helped, as did the awareness that only 20 per cent of Guinness earnings come from the UK thus providing some insulation against an economic hard landing. "Guinness is the hedge in the sec-tor," said Mr Neill Junor, analyst at County NatWest WoodMac, "and it is well placed to expand in the Far

Grand Metropolitan was par-ticularly weak after press coverage highlighted its high borrowings and hence vulnerability to high interest rates. The shares closed 13 off

at 572p.
A 40 per cent improvement Dealers spoke of US buying in full-year profits from TIP

heightened as the Halifax markets Building Society raised its mortgage rates by one percentage point, a move which, while not unexpected, will add signif-

icantly to the sqeeze on consumer spending. There was further selling of store and retail issues as investors sensed a hard Christmas season ahead for stores which make a substantial part of their profits in December.

Yesterday's sharp fall in the Sterling Exchange Rate Index began to re-awaken the market's fears of a full-blooded sterling crisis. However, interest rate fears were soothed by

> mance from London money Europe did not inspire the market. The shares fell 6 before recovering some ground to close 4 worse on balance at Yesterday's tea auctions in

a relatively steady perfor-

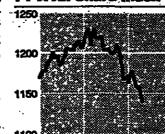
London showed another sharp rise in wholesale price. Tea producer share prices benefited, with overseas trader James Finlay steady at 130p and plantation operator Chillington a penny firmer at 182p.
Mr Stephen Quayle, analyst
at Sheppards, said that tea
shortages had arisen in the
wake of civil unrest in Sri Lanka, Chernobyl's effect on Georgian production, which had brought the Soviet Union to the London market as buyers for the first time in years, and the uncertainty surrounding the outcome of the Indian general election expected in

The clearing banks were lower across the board albeit in thin trading. Irish banks were bolstered by the exchange rate and a recent positive note on the Irish banks from a Dublin broker, according to dealers. Allied Irish moved up 6 to 194p

and Bank of Ireland 8 to 247p.
Shell extended their good run, adding a further 5 at 440%p on turnover of 2.5m. Dealers said there had been more switching out of Royal Dutch into Shell Additionally, a leading agency broker was said to have hosted a lunch for the company yesterday. Enterprise were said to have been propped up by the £200m cash cash mountain, the shares edging ahead to 590p.

Details of Eurotunnel's predictions of higher revenues from the Channel tunnel left the shares another 40 off at 528p. "Not much to do with the new forecasts," said one analyst, "there is very little rational about the behaviour of Eurotumel's share price." BZW changed its recomm

FT-A Ali-Share Index



Equity Shares Traded Turnover by volume (million)

Aug Sep

APPOINTMENTS

NEW HIGHS AND LOWS FOR 1989

Albert Fisher Changes at Barclays Bank Chief executive top US post

ALBERT FISHER HOLDINGS the fresh produce distributor and processed foods supplier, has appointed Mr Keith Brackpool to the newly-created post of chief executive officer for its North American

operations, writes Clay Harris.
Mr Brackpool is chairman
and chief executive of Pacific Agricultural Holdings, a Nasdaq-traded California farming and land company in which Fisher owns a 25 per cent stake. He will remain on the US company's board.

Until now, the three regional chief executives of Fisher's North American operations have reported directly to Mr Tony Millar, chairman. The businesses in question have annual sales of £700m and account for about 40 per cent of group profits.

SMITHS INDUSTRIES has appointed Mr Graham Thornton as marketing director in its aerospace group. He was previously managing director of Dowty Smiths Industries Controls:

Mr Alan Fort has been appointed finance director of UNITED TRANSPORT TANKERS EUROPE, a division of United Transport Europe. He was an analyst at United Transport International's corporate head office.







Mr Alastair Robinson (left) director personnel, BARCLAYS Mr Alastair Robinson (left) director personnel, BARCLAYS BANK, is to become executive director, UK operations, from April 16 1990, on the retirement of Mr Owen Rout. Mr Geoff Miller (centre) director UK hanking, takes on the additional responsibility of deputy to Mr Robinson. Mr Bill Gordon (right) director UK corporate services, becomes director personnel on April 16. He is chairman of Barclays commercial services and on the heavy of the mercentile services and on the hoard of the mercantile group.

■ Mr Michael Schofield has heen made group managing director for YALE SECURITY INC's European operation. He will be responsible for Yale Security Products in the UK and operations in Italy and Sweden. Mr Schotield was managing director of _ Hattersley Newman Hender, a Tomkins Group company.

Mr Alastair Villiers has been appointed managing director of MATHESON previously managing director of Schroder Securities.

Mr Richard Simkin has been appointed managing director of BEAZER VENTURES. He joins from Countryside Properties.

Mr Stephen R. Collins has joined the GAINSBOROUGH GROUP as financial director. He was corporate finance manager with Touche Ross

■ POLAMCO has appointed Mr Tim Chessells as a

of Vosper Thornycroft

■ Mr Martin Jay has been appointed managing director and chief executive of VOSPER THORNYCROFT HOLDINGS. **Mr** Peter Usher, who has been managing director for the past eight years, assumes the role of deputy chairman. Mr Jay joins from GEC Electronic

non-executive director, He was a partner at Arthur Young.

■ At SKANDINAVISKA ENSKILDA BANKEN, London, Mr Roger Meachem has been made vice president and head of credit. He was previously with Scandinavian Bank

■ Former ICL executive, Mr Brian McGregor, has been appointed chief executive of WHITE HORSE OFFICE SYSTEMS, an office automation company.

■ Mr Ben Rowe has become actuary in addition to his duties as a director of CANNON ASSURANCE. Mr David Martin has been appointed corporate development director. He retains his position as vice president of Lincoln National Corporation, the parent company.

Also helping to curb London's woe was the absence of pressure from New York, in low gear yesterday for Columbus Day. European markets, which have responded with more resilience to the round of interest rate increases, were again in better form than Lon-

There were also further signs in London of a move into the good class international equities which are less exposed to domestic pressures than home-based operators. Shell and Unilever were prominent among such blue chip issues to continue building a sound base for a recovery.

dation for British Steel from a weak buy to a hold. But this reflected a tightening up of recommendation policy at the securities house. "We will only be recommending buy, hold, or sell under the current action heading," said a BZW analyst. As well as the recommendation change, BZW increased its profit forecasts for this year to 2670m from £635m, but cut next year's to £620m from £635m. Nevertheless, it fell more than twice as sharply as the FTSE 100 index, ending 4 lower at 128 kp on good vol-

The construction, contracting and building materials areas were among the market's worst sufferers, reflecting their exposure to interest rate levels. In the housebuilders Costain dropped 14 to 307p, Wimpey 8 to 338p and Taylor Woodrow 9

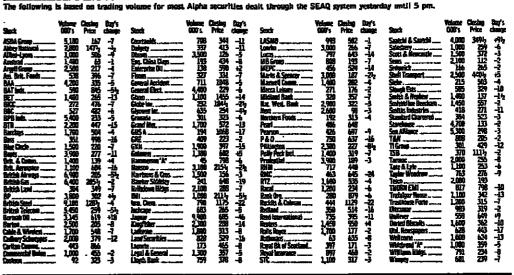
to 276p. Beazer attracted a surge of selling pressure, and settled 7 off at 146p. Saatchi and Saatchi continued Friday's strong advance, closing 9% up at 349%p. Turnover was once again strong at 4m shares. Attention switched from the possibility of a Swiss predator to Italy. Mr Silvio Berlusconi, the media entrepreneur, was said to have been stakebuilding. News that Mr Berlusconi controlled a 1 per cent stake in the company came too late to affect trading.

The fact that US investors are persistent buyers of Saatchi also helped buoy the stock, as it did for Reuters, 4 better on 950p. United Newspapers newspa-pers weakened in the absence

of any news of a much rumoured bid from Mr Conrad Black, the Canadian entrepreneur. United lost 17 to 448p. A downgrading of motor dis-

FINANCIAL TIMES STOCK INDICES Low 127.4 49.18 95,01 (3/1) (5/9/89) Gold Libers 209.2 (17/2)FT-SE 100 Share 2312.1 2318.6 1782.8 2443.4 986.9 (3/1) (16/7/87) (23/7/84) Ord, Div. Yiek Sasia 100 Govt. Secs 15/10/25, Fixed int. 1928, Earning Yld %(full) P/E Ratio(Net)(\$\ddot) Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ⇒ Nii 11.09 GILT EDGED ACTIVITY SEAQ Bargains(5pm) Equity Turnover(£m)† Equity Bargains† 27,459 1046.40 25,078 924,67 28,768 25,109 955.73 25,346 882.62 26,553 397.7 Gilt Edged Bargains 96.5 Ordinary Share Index, Ho nges Day's High 1844,9 "SE Activity 1974, fExcluding intra-market business & Oversess turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day avarages of Equity Bargains and Equity Value, was dis-continued on July 31. Closing values for July 28 exclusible on activity. Open 10 a.m. 11 a.m. 12 p.m. 1 p.m. 1832.1 1832.1 FT-SE, Hourly changes Day's High 2265.2 Day's Low 2242.6 Open 10 a.m. 11 a.m. 12 p.m. 1 p.m. 2 p.m. 2254.5 2251.3 2253.2 2255.1 2254.9 3 p.m. 2251.6

TRADING VOLUME IN MAJOR STOCKS



tributor Lex Service from UBS Phillips & Drew hit the shares hard. They fell 23 to 324p. The list of UK, European and US companies said to be taking a long hard look at Ferranti, the troubled defence electronics group, was said by dealers to have grown longer yesterday. Turnover in Ferranti shares totalled 13m, with the share price edging up ¼ to 59%p. Ferranti's re-convened annual meeting is being held at 12.15 pm today.

Dealers were trying to pinpoint the identities of the recent big buyers of Ferranti shares. There was speculation yesterday that a merger of Fer-ranti with the defence electronics subsidiaries of Racal Klectronic and Thorn EMI could be on the cards and that Racal

shares in the market. Racal Electronic dipped 6 to 234p. British Aerospace, reported in the weekend Press as considering a joint bid with Thomson-CSF of France for Ferranti, is thought to have picked up a 2.5 per cent holding in Ferranti last week with other big buyers said to have been in the market, possibly building smaller share stakes. British Aerospace was weak as dealers considered how much the company might have to pay to help rescue Ferranti. The shares bottomed a shade above £6 before closing 16 down on the

day at 604p. Shares in Reg Vardey, the multi-franchise car dealer, made an encouraging debut, despite the widespread gloom may have bought Ferranti elsewhere in the market.

Calculation of the FT Indices of daily Equity Bargains and Equity Value, and of the five-day averages of Equity Bargains and Equity Value, was suspended on July 31. The International Stock Exchange, the source of our data for these indices, has altered the basis of its reporting of equity transac tions, making it impossible to resume the previous series. Calculation of the FT Indices of daily Gilt Edged bargains and of the five-day average of

Gilt Edged bargains will continue as before. Closing values of the discontinued series are available on request FT Prices 873-4007.

 Other market statistics. including FT-Actuaries Share Index and London Traded Options, Page 26

BUSINESSES FOR SALE

SHARP & LAW PLC (IN RECEIVERSHIP)

Sharp & Law was established in 1911 and is a name that is synonymous with high quality shopfitting throughout the UK.

Details are as follows:-

Sharp & Law Storefitters

This business is one of the country's leading shopfitting contractors, offering a complete package to retailers from survey to handover. Customers include major retailers, department stores and financial service groups.

The business operates from freehold premises in Carlisle Road, Bradford and turnover is approximately £9m per annum.

Cardinal Shopfitting Systems Cardinal enjoys a sound reputation as a security and

shopfront specialist. Cardinal provides a complete security service including assessment, advice on protection levels, working schemes and specifications for:

Shopfitting systems.

* Security screens and doors.

* Counters and pay windows. Display cases.

Anti-bandit barriers.

Cardinal has a blue-chip customer base and incorporates the business of Coldseal Insulation, which deals with the manufacture and installation of temperature-controlled storage and display units.

Cardinal operates from freehold premises in Ives Street, Shipley, West Yorkshire and Victoria Road, Eccleshill. Bradford.

Turnover is £7m per annum.

Law's Electrical

This business was originally established to service Sharp & Law Storefitters but has since developed in its own right. Law's Electrical offers a complete design and installation service. Customers are drawn from most sectors of industry.

Law's Electrical shares the premises in Carlisle Road, Bradford. Turnover is £2m per annum.

The company is based in Bradford, West Yorkshire and its core businesses are offered for sale,

Law's Decorators

The business operates as a specialist decorating contractor. It was originally established to service Sharp & Law Storefitters but latterly has developed its own customer

Projects have included banks, shops, churches, bridges and building societies and the financial services sector.

Law's Decorators also shares the premises in Carlisle Road, Bradford, and turnover is £2m per annum.

Sharp & Law Project Management

This operates from freehold premises in Dockfield Road, Shipley, West Yorkshire and incorporates the activities of Sharp & Law Building Contractors.

The business is undergoing a period of substantial growth and is forging strong links with blue-chip customers. The business manages contracts by sub-contracting out the work involved and is currently undertaking a number of substantial refurbishment projects for financial institutions.

Turnover is some £3m per annum. For further information, contact the Joint Administrative Receivers, Mr M.A. Jordan or Mr M.J. Moore at:-

Cork Gully Chartered Accountants Albion Court **5 Albion Place** Leeds LS1 6JP Telephone: (0532) 457332 Fax: (0532) 424009

Enquirers are asked to specify in which business they are interested.



Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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FINANCIAL TIMES TUESDAY OCTOBER 10 1989 FT UNIT TRUST INFORMATION SERVICE **AUTHORISED UNIT TRUSTS** indi Case. Bid Otter+ or Yield Cargo Price Price Price - 67's grat (Unit Trust) Ltd (0905)F s law Mgant Servs Ltd (1200)H - Street, Landon EC3M 2RY 01-5287364 - 5 60.78 62.09d 65 67-0363 66 - 7 1 648 65-0383 66 SN1 1EL Dealing 0793 610366 Ingt Unit Tst Mgmt Ltd (1000)F Sbuy Paremen, EC2A IAY 01.428,9876 Frowth Res. 5 1 12.6 1 12.6 1 140 6 11.40 m 5 1 182 6 182 6 195 11.40 Rely Sec. 5 152.27 51 344 56,74 6.60

UNIT TRUST INFORMATION SERVICE Other + or Yight Price - Gress Offer + or Yield Price - Gress 01-549 3281 SWITZERLAND (SIB RECOGNISED) | Total Interest | Personal Interest | Persona 42I.9 212.6 132.7 149.1 127.4 129.6 134.2 118.5 134.1 94.8 131.1 142.0 +0.1 +0.4 -1.7 -0.5 -0.6 -1.9 -0.5 0892 53-5353 40.4 40.9 40.3 41.4 -1.7 -1.8 40.5 168.1 180.0 197.4 140.8 137.0 247.4 242.9 239.0 152.2 127.8 101.1 102.9 108.4 194.7 -1.0 -0.8 +1.2 -0.2 162.7 182.8 182.8 182.6 182.6 182.6 182.6 182.6 182.6 182.6 182.6 182.7 182.6 182.7 182.8 183.8 183.8 184.3 1 1800) 453 2161 0534 75141 .. 0753868244 176.5 253.9 168.8 146.7 303.6 97.0 112.8 101.9 102.5 109.0 105.1 124.4 109.9 106.8 101.4 -22 -05 -05 -07 -07 -03 -03 -03 311.3 311.6 鋁 39.14648 1118244 11771 11771 -171 324.5 ₩ -03 203 2 202 8 225.9 225.9 225.9 225.9 147.3 141.6 141.6 141.6 147.8 147.8 146.8 146.8 146.8 146.8 146.8 0702 333433 10145127 10145127 10145121 OFFSHORE AND 2-Uni. jaji -04 -04 1122 2443 1193 1458 1277 1851 1187 1469 1535 Rai Fig. Pigrs.) Ltd , 8eds 05255 5282 179.5 +0.1 -217.5 +0.7 -117.8 +0.6 -126.5 -0.4 -147.0 -1.0 -| The Equaty | Section | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 David M. Aaron (Per: San Alliance Insurance Group San Alliance House, Horston Life Fonds Managed Fond 473 1 498.0 Edute Fonds 662.0 0403 64141 342 9 376.2 266.8 261.4 424.9 217.6 113.6 117.6 117.6 117.0 105.3 979994477275

| FT UNIT TRUST INFORMATION SERVICE | LONDON SHARE SERVICE |
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Pound falls below DM3.00

FEARS ABOUT the British economy, and the belief that another rise in bank base rates is not a viable policy at present, pushed sterling down sharply yesterday.

Sentiment on London's financial markets appreciated.

financial markets suggested that there are already considerable risks of the UK economy sliding into recession and that a further rise in rates could be more damaging than allowing a devaluation of the pound. If there must be a devaluation let it be done quickly, said dealers. It was noted that despite sterling's fall of 51/2 pfennigs and over 2% cents there was no pressure on the money mar-ket for another rise in base rates, with wholesale rates moving up only about 1 per

cent.

It is also a difficult time for the Government, with the Conservative Party Conference starting in Blackpool today. Another rise in base rates appears to the City to be politically unacceptable at a time when a recent public opinion poll showed the Labour Party with a lead of 11 points over the Tories. the Tories.

Mr Nigel Lawson, the Chancellor, speaks to the Conference on Thursday and will

| try to resicy at hi | tore co s spee | nfid ch a | enc t t | e in pol- he <i>M</i> an- |
|--|--|---|------------|--|
| 0ct.9 | Lates | ŧ | | Previous Close |
| £ Spot | 1.6055-1. 0.68-0. 2.03-2. 7.38-7. | 67)243 000111 | 2 | 045-1.6045 80-0.78pm 32-2.29pm 10-8.00pm |
| Forward preside | RLIN | - | | |
| | | Oct. | 9 | Previous |
| 8.30 am 9.00 am 10.00 am 11.00 am 1.00 pm 2.00 pm 3.00 pm 4.00 pm | | 90. 90. 89. 89. 89. 89. 89. | 9 | 913 913 914 914 915 913 914 914 |

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|---|-------------------------------|---|--|
| CUR | REN | CY RA | TES |
| 0ct.9 | Bank rate % | Special* Drawneg Rights | European † Carrency Unit |
| Sterling # U.S Dollar Campellar S Anstrian S Anstrian Sch Belgian Frant Danigh Krone Dentsche Mank Reth, Gunter Freich Frant Litalian Lira Japonese Yen Norway Krone Spanish Peseta Swedish Krone Swedish Krone Swedish Krone | 7.00 104 134 34 8 | 1.26733 1.26636 1.48997 16.9072 50.2935 2.70368 2.70368 2.70368 1758.19 180.203 1758.19 180.203 1758.19 180.203 1758.19 | 1.44563 1.09102 1.28172 14.4876 43.2779 8.01951 2.05842 2.32441 6.98141 1506.80 155.633 7.61856 130.409 7.06705 |

| All SOR rates are for | Oct.6 | |
|-----------------------|---------|--------|
| CURRENCY | MOVE | Ments |
| | Back of | Moryan |

| 0ct.9 | Bask ct England Index | Morgan Guaranty Cuanges % |
|---|-----------------------------|---------------------------------|
| Sterling | 89.8 | N/A |
| U.S Dollar | 70.4 | N/A |
| Canadian Dollar | 105.0 | N/A |
| Austman Schilling | 107.5 | N/A |
| Belgias Franc | 106.5 | N/A |
| Danish Krone | 104.3 | N/A |
| Destsche Mark | 114.2 | H/A |
| Swiss Franc | 107.2 | H/A |
| Golder | 111.2 | H/A |
| French Frant | 100.4 | RIA |
| Lira | \$8.7 | RIA |
| Yen | 137.7 | NIA |
| Morgan Gearanty 1982=100. Bank of 1985=1000*Rates are | | rerage 1980- (Base Average |

OTHER CURRENCIES

| Oct.9 | ٤ | \$ |
|-----------|-----------------------------------|---|
| Argentina | 40.30 - 40.40 | 650.00 - 655.00 1.2750 - 1.2760 4.1280 - 4.2940 4.220 - 4.2940 165.70 - 164.75 7.8015 - 7.8035 71.207 668.20 - 673.40 2.950 - 2.9720 2.950 - 2.9720 2.950 - 2.9720 2.950 - 3.7500 3.7500 - 3.7500 |
| UAE | 5,8060 - 5,8115 Selling rate | 3.6720 - 3.6730 |

sion House on October 19.

Dealers regarded the method of intervention by the Bank of England yesterday as a signifi-England yesterday as a significant signal that the authorities had changed policy and were no longer trying to defend a sterling level of DM3.00. The Bank made no attempt to support the pound by selling European Currency Units; all intervention yesterday was conducted via the dollar.

Last week, when the UK central hank was defending the

tral bank was defending the pound against the D-Mark there was steady intervention to sell Ecus. Under the Group of Seven accord the Bank of England could not be seen selling. Decrease at a time when ing D-Marks, at a time when the West German Bundesbank was supporting its currency against the dollar, but the UK authorities tried to provide some degree of assistance for the pound by selling Ecus.

Yesterday's slide below DM3 Or lead to executation that

DM3.00 lead to speculation that sterling is unlikely to stop fall-

ing until the mid DM2.80's, and that this could be a fairly fast process. The amount of pressure on the pound was held in check by the closure of US banks for Columbus Day. A London trader said: "It would have been out of character for New York not to kick a currency when it's down."

Sterling fell 5.50 pfeanigs to DM2.9750, the lowest closing level in London since mid-February 1988. It also lost 2.35

ruary 1988. It also lost 2.35 cents to \$1.5790 and fell to Y225.25 from Y228.75; to SFr2.5975 from SFr2.6350; and to FFr10.1025 from FFr10.2800. The pound's index fell 1.6 to see

With New York trading at a much reduced level, and with attention focused on sterling, the dollar drifted quietly, falling to DM1.8845 from DM1.8915; to Y142.65 from Y142.80; and to FFr6.3975 from FFr6.4150, but rose slightly to SFr1.6455 from SFr1.6450. The dollar's index rose to 70.4 from 70.3.

| EMS EUROPEAN CURRENCY UNIT RATES | | | | | | | | | |
|---|---|---|---|--|---|--|--|--|--|
| | Eca central rates | Corrency amounts against Eco Oct.9 | % change from central eale | % change adjusted for Overgence | Divergence Upolt % | | | | |
| Belgian Franc Danish Krose German D-Mark Franc Franc Dusch Golider Irish Punt Italian Lira Spuoish Peseta | 42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58 133.804 | 43 2779 8.01951 2.05842 6.98141 2.32441 0.772783 1506.80 130.409 | +1.93 +2.13 -0.01 +1.12 +0.57 +1.57 -2.54 | +130 +150 -064 +049 -064 +141 -248 | ±1.5424 ±1.6419 ±1.1019 ±1.3719 ±1.5019 ±1.6687 ±4.0815 | | | | |
| Changes are for Eco, the Adjustment calculated by | retore positive d y Financial Time | tange desotes a w s. | sk carescy | | | | | | |

| Îminerî (| SECONDICT IN LATERY | # IIPS. | | | | |
|--|--|--|--|---|--|---|
| POU | ND SPOT | FORWAR | D AGAII | IST T | THE POU | ND |
| Oct.9 | Day's spread | Close | One month | % 94 | Tieres exactis | % p.z. |
| nada therisads, indiges omark land omark land omary in i | 15745 - 15045 18520 - 18765 3354 - 340 6240 - 6330 11584 - 11724 11115 - 11345 2774 - 330 5250 - 255.60 18820 - 190.80 18820 - 190.80 1100 - 11114 100 - 11114 100 - 11114 2002 - 2714 2002 - 2715 2594 - 2624 14460 - 14789 | 25912 - 260 1,4460 - 1,4470 | 08-085pp 03-045pp 24-34pp 24-34pp 24-34pp 13-14-56pp 13-34pp 13-14-56pp 13-14-56pp 13-14-56pp 13-14-56pp | 554 3.04 7.35 6.23 4.65 7.21 7.21 2.55 3.29 6.52 7.80 4.94 | 2.99-2.8cm 1.57-1.25cm 91-65cm 13-1.25cm 12-0.110cm 1-2-1.25cm 13-1.25cm 13-1.25cm 13-1.25cm 13-1.25cm 13-1.35cm 13-1.35cm 14-1.4cm 14-4.5cm 16-1.61cm | 6.02 2.83 6.62 6.62 6.62 6.62 6.63 6.63 6.63 6.6 |
| nmercial r 70-62.80 | ates taken towards t Six-munth forward d | le end of London tra ollar 4.67-4.62epm) | ding. Belgian rate 12 Months 8.43-8. | is conver 33cpm | tible francs, Finan | ciai franc |
| DOLL | AR SPOT- | FORWAR | D AGAIN | IST T | HE DOL | LAR |

| Dct.9 | Day's Spread | Close | One month | % p.e. | Three months | 94 |
|--|--|---|---|---|---|---|
| UK† reiandt cenandt Canadd Seiglom Seiglom Semank W, Germany Purtogal Spalin Laty Horway Franct Sereleo Lapan Lastria Sertizerland CCU | 15745 - 1.605 1490 - 1.4175 1.1740 - 1.1755 2.1245 - 2.1340 39.60 - 39.75 7.34 - 7.374 1.825 - 1.8915 1.60 10 - 160 40 1.178 - 1344 6.554 - 6.99 6.384 - 6.414 6.46 - 6.485 1.215 - 143.05 1.246 - 1.485 1.246 - 1.485 1 | 1.5785 - 1.5795 1.4110 - 1.4120 1.1750 - 2.1300 - 2.1300 39.60 - 39.70 7.35 - 7.35 + 1.890 - 1.8850 1.890 - 1.8850 1.890 - 1.8850 1.890 - 1.8850 1.890 - 1.8850 1.890 - 1.890 1.890 - 1.890 1.890 - 1.890 1.890 - 1.890 1.890 - 1.890 1.890 - 1.890 1.890 - 1.890 | 0.87-0.85cpm 0.22-0.17cpm 0.25-0.38cds 0.16-0.14cpm 0.70-2.20cds 1.00-1.25cred 9.18-0.16cfpm 70-00ds 1.00-1.25cred 1.20-1.45cred 1.20-1.45cred 1.20-1.75cred 1.20-1.75cred 0.49-0.33ppm 0.50-paryrops 0.20-0.16cpm 0.20-0.16cpm | 544 1384 1384 1384 1384 1385 1387 1387 1387 1387 1387 1387 1387 1387 | 29-2 3mm 646-0 39m 63-0 39m 63-0 39m 25-3 00m 36-3 45m 65-3 45m 65-4 25m 55-4 25m 59-4 25m 15-1 25m 15-1 25m 15-1 25m 15-1 25m 15-1 25m 15-1 45m 16-1 45m 16 | 617 320 017 017 661 514 229 422 412 |

| 3 | JRO-CL | IRREN | Y INTE | REST | RATES | |
|-----------------|--|--|---|---|--|---|
| QcL9 | Short, term | 7 Days notice | Cae Mosth | Three Months | Stx Months | One Year |
| erling | 138 127 17 17 19 19 19 19 19 19 19 19 19 19 19 19 19 | 4875556796598 9845566796796598 984556687968598 | 18077477477748898 580477774777487898 | 48017878411645418 5017878411645418 5017878411645418 | 148.4.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1. | 141-145 81-81 81-115 8-7-7 8-7-7 9-7-7 91-91-125 91-91-105 91-91-105 81-81 |
| Long term Eurod | ollar: two years | 84-85 per co | at; three years 8 | 1-8% per cent; | foor years 813-6 | percent; five |

| | EXCHANGE CROSS RATES | | | | | | | | | |
|---------|----------------------|----------------|----------------|----------------|----------------|-----------------|----------------|---------------|----------------|----------------|
| Oct.9 | £ | \$ | DM | Yea | F Fr. | S Fr. | H FL | Utra | C\$ | B Fr. |
| £ \$ | 0.633 | 1.579 | 2,975 1,884 | 225.3 142.7 | 10.10 6.3% | 72.598 1.645 | 3365 2131 | 7365 5185 | 1854 1174 | 62.60 39.65 |
| DM | 0.336 4.439 | 0.531 7.008 | 1 13.20 | 75.73 1000. | 3.395 44.83 | 0.873 11.53 | 1.131 14.94 | 733.4 9685 | 0.623 8.229 | 21.04 277.9 |

| 0d.9 | £ | \$ | DM | Yea | FFr. | S Fr. | H.FL. | Lina (| ¢\$ | B Fr |
|-------|------------|-------|----------------|----------------|---------------|-----------------|---------------|--------------|-------|--------------|
| £ | 1 0.633 | 1579 | 2.975 1.884 | 225.3 142.7 | 10.10 6.3% | 72.598 1.645 | 3.365 2131 | 1365 5185 | 版 | 62.6 39.6 |
| DM | 0.336 | 0.531 | 1 | 75.73 | 3.395 | 0.873 | 1.131 | 733.4 | 0.623 | 21.0 |
| YEN | 4.439 | 7.608 | 13.20 | 1000. | 44.83 | 11.53 | 14.94 | 9685 | 8.229 | 277.9 |
| F Fr. | 0.990 | 1.563 | 2946 | 223.L | 10. | 2.572 | 3.332 | 21.66 | 1.836 | 61.9 |
| S Fr. | 0.385 | 0.608 | 1145 | 86.72 | 3.888 | 1 | 1.295 | 839.9 | 0.714 | 24.1 |
| #FL | 0.297 | 0.469 | 0.884 | 66.95 | 3.001 | 0.772 | 1 | 648.4 | 0.551 | 18.60 |
| Ura | 0.458 | 0.724 | | 1033 | 4.629 | 1.191 | 1.542 | 1000. | 0.850 | 28.60 |
| C S | 0.539 | 0.852 | 1.605 | 121.5 | 5.448 | 1.401 | 1.815 | 巡 | 1 | 33.70 |
| 8 Fr. | 1.597 | 2.522 | 4.752 | 359.9 | 16.13 | 4.150 | 5.375 | | 2962 | 100. |

| FINANCIAL FUTURES AND OPTIONS

| 3 | 1 | | |
|---|--|---|--|
| | LIPPE LONG GRAT PUTURES OPTIMES E58,008 640s of 188% | LIFFE US TREASURY BOND FUTURES OFTENS \$190,000 64tm of 180% | LIFFE SUICE FUTURES OFTENS 08250,860 points of 100% |
| | Strike Calif-settlements Pots-settlements P | Strillat Calls-settlements Pats-settlements Price Der Mar Ohr Mar 195 2-44 4-22 0-16 1-04 96 2-33 3-43 0-25 1-25 97 2-34 1-01 2-16 99 0-61 2-34 1-01 2-16 99 0-61 2-30 1-33 2-49 100 0-40 1-41 2-12 3-23 100 0-25 1-19 2-61 4-01 Eschausted Wohame total, Calls 230 Pats 0 Precious day's opto less. Calls 230 Pats 0 Precious day's opto less. Calls 230 Pats 1863 | Strike Californatibenesis Puts-ostilement Price Dec Mar Dec Mar 9250 1.35 1.79 0.11 0.37 9300 0.94 1.44 0.25 0.54 9500 0.57 0.78 0.65 0.98 9450 0.21 0.66 0.77 1.25 9500 0.11 0.68 1.37 1.58 9500 0.10 0.05 1.52 1.55 1.55 1.55 1.55 1.55 1.55 1.5 |
| ١ | LIFFE E/S OFFICIALS | LIFFE EUROGALAR OFTENS Clas points of 191% | LIFFE SHOET STEELING OFFICES £360,000 points of 100% |
| I | £25,000 (ceals per \$1) | | |
| | Strike Calls-settlements Pats-settlements P | Solite Calls stitlements Puts stitlements Price Des Nier Des Mars 9100 0.61 0.57 0.07 0.07 0.14 9125 0.42 0.77 0.13 0.19 9150 0.24 0.60 0.22 0.27 9150 0.25 0.50 0.25 0.35 0.37 9200 0.08 0.32 0.54 0.49 9220 0.04 0.22 0.75 0.54 9220 0.04 0.22 0.75 0.54 9220 0.05 0.05 0.82 | Strike Celfis-settlements Pub-settlement Price Dec Blar Bar Bar Bar Bar Bar Bar Bar Bar Bar B |
| | Estimated volume total, Calls 0 Pats 0 Previous day's open lot. Calls 211 Pats 20 | Estimated volume total, Calls 290 Ptrs 120 Previous day's open lat. Calls 3051 Puts 2228 | Estimated volume total, Calls 2224 Pats 2362 Previous day's open lat. Calls 46206 Pats 25203 |
| | CHICAGO | | LONDON (LIFFE) |
| ĺ | U.S. TREASURY BONDS (CST) 8% \$100,000 32mb of 100% | JAPANESE YEN (HIGH) Y12.5m 5 per Y100 Latest High Low Proc. | 26-Year 9% Noticeal, GRT 554,808 32mb of 200% |
| | Latest High Low Pres. Dec 98-09 Mar 98-06 Jun 97-23 | Dec 0.7043 0.7055 0.7087 0.7099 Mar 0.7080 0.7098 0.7090 0.7107 Jun - 0.7125 0.7149 | Close Bigh Low ! Data 92-19 93-03 92-06 92 Mar 95-20 |
| ı | Dec - 97-15 Mar - 97-08 | | Estimated volume 20475 (\$2391) Privious day's open let. 30715 (20072) |
| l | Sen 95-20 | DELITSCHE MARK (DEAS) DM125,000 \$ per DM Latest High Low Pre- | 7-16 Year 9% Noticeal Cily 150,000 32:06 of 100% |
| ŀ | Mar 96-14 Jun | Dec. 0.5309 0.5312 0.5303 0.5314 Mar 0.5316 0.5316 0.5310 0.5314 Jun 0.5326 | Chose High Low I Dec Mar |
| l | U.S. THEASURY BILLS (1988) Slan points of 100% | THREE-MONTH EHROOM LAR COUNT | Estimated volume Q (CD Predicts day's open lat., Q ED) |
| l | Dec 92.90 92.90 92.78 92.72 Mar 93.18 93.18 93.05 93.05 | THREE-MONTH EHROSQLLAR (INIO) \$1m points of 180% Lates: High Law Pres. | us theasury names 8%. S100,000 32mk of 190% |
| | Mar 918 7518 955 926 Jan - 9368 - 9365 Sep - 929 - 929 | Mar 9182 9183 9182 9176 Jan 9185 9185 9185 9181 Sen 9176 9176 9176 9173 | Clese High Low 1 Dec 98-14 98-14 98-06 9 Mar 98-09 9 Jan |
| | | Dec 9153 9154 9152 9156 Mar 9151 9151 9151 9164 Jun 9147 9148 9147 9145 Sep 9146 9146 9144 9142 | Estimated subsets 1052 (605%) Practices day's open lot. 7126 (7276) |
| | SWISS FRANC COMING SF: 125,006 S per SF: | STARDARD & POORS 560 DRDEX \$500 times index | 5% HEIDRICK CEMMAN GIVT. BORD DE258,000 100% of 100% |
| | Dec 0.6093 0.6100 0.6005 0.6102 Mar 0.6105 0.6115 0.6115 Jun 0.6125 0.6134 | Dec. 362.20 362.50 362.00 362.45 Mar 367.10 367.10 364.65 362.05 Jun 371.00 371.10 371.00 371.55 | Dec 93.74 93.66 93 |
| | | | Estimated volume 22744 (48351) Provious day's open lat., 36747 (36140) |
| | PHILAGELPHIA SE E/S OPTIBLES EX1,250 (costs per EX) | | CH. MITMENT LANC TERM MANUELE COVI. MRD Y198m 1985m of 188% |
| | Strike Calls Price Oct No Des M | Pets Dec Mar | Occse High Low Dec 104.58 104.65 104.52 10 Nam 104.16 104.65 104.52 10 |

| 0.85 0.06 | 2.06 | 2 | .63 | 3.42 | 0.88 | 262 | 4 | 11 6.77 | PRESIDE | gal, 2 other jo | C 407 (III) | 0/3 |
|--------------|--------------------------------------|-----------------------|--------------------------------|------------------------------|------------------------------|-------------------|----------------------|--|----------------------------------|---|--|-------------------------------------|
| 0.03 0.01 | 9.56 0.23 | , 0 | 80 13 67 | 3.42 2.48 1.87 1.33 | 0.58 2.58 4.88 7.33 | 263 423 633 | 7 | 11 6.77 71 8.41 53 10.19 55 12.12 | THUESE I \$540,00 | 1917 STER 1914 of 1 | LDIG 10% | |
| | Calls 443 Calls 28,0 | | | | | (CH | ANG | | Dec. Mar Jul Sep Sep | Close 85.32 86.22 86.93 87.63 (Inc. Figs. ex | High 85.34 86.27 87.41 87.45 | 100 85.2 86.1 86.8 87.3 |
| | | | . 89 | | . 90 l | | | | Prerions | day's open in | L 99507 (| 94879 |
| ieries | | Vol | Last | Vol | Lage | Yol | Last | Stack | 52m ppi | 6 d 38% | | |
| | \$ 390 \$ 360 \$ 370 | 189 | 10 | 15 140 | 5.30 7.50 b | Ξ | Ξ | \$ 363.10 \$ 363.10 \$ 363.10 | Dec Mar Jan Sep | 91.54 91.83 91.85 91.77 | 854 91.84 91.88 91.76 | 61 % 61 % 61 % 61 % |
| | | Non | . 89 | Dec | . 89 | Jan | . 90 | | Sep | 91.77 | 91.7B | 91.7 |
| | FI 313 FI 320 FI 330 FI 310 | 10 231 193 8 | 7.80 4.80 1.80 2.20 b | 76 30 30 | 330 350 350 | 2 82 37 | 9.80 5.40 4.50 | F1. 316.80 F1. 316.80 F1. 316.80 F1. 316.80 | Previous o | Chec. Figs. po tay's open lat marris estate | 30854 (| 509 (L/I 91572) |

| | | Nice | r. 89 | Dec | . 89 | Jag | L 90 | | 349 | 7637 | 71_16 | 75.73 | 74 |
|----|---|-----------------------------------|--|--|---|--------------------------------------|-------------------------------|--|-------------------|--|----------------------------|----------------------------|-------------------|
| | FL 315 Fl. 320 Fl. 330 Fl. 310 Fl. 315 Fl. 330 | 10 231 193 8 29 54 | 7.80 4.80 1.80 2.20 b | 76 30 30 105 | 330 350 520 | 2 82 37 2 56 | 9.80 5.40 4.50 6.30 | FI. 316.80 FI. 316.80 FI. 316.80 FI. 316.80 FI. 316.80 FI. 316.80 | Previous of | Ome. Figs. 20 Say's Open In Month Estate Chais of 188 | L 30854 (| 915720 | |
| | | Oct | . 89 | Hov | . 89 | | E. 89 | | Dec Mar | 92.25 92.46 | 92.77 92.48 | 92.23 92.46 | 66666 |
| | Fl. 335 Fl. 335 Fl. 225 Fl. 220 Fl. 215 | 20 76 6 39 | 1.50 1.40 0.20 3.20 | 72 | 2.90 2.80 | 2 29 29 10 | 3.40 3.80 2.10 5.40 | FI. 336.01 FI. 336.01 FI. 213 FI. 213 FI. 213 | | 92.65 92.72 rolume 422 lay's open lat | | 92.69 92.69 | 92 |
| | | Oct | . 89 | Jan | . 90 | Apr | . 90 | | FT-SE 10 | | | | |
| | 44444444444444444444444444444444444444 | 54238212515588334 <u>1</u> | 0.10 2 14.70 0.30 0.40 0.40 0.40 0.10 0.10 | 198 106 10 10 10 10 10 10 10 10 10 10 10 10 10 | 1.60 2.20 17 1.70 3.50 3.80 2.30 2.30 2.30 2.30 2.30 2.30 2.30 2.3 | 70 12 14 - 77 - 33 | 270 250 3 7.10 | FI. 43.20 FI. 03.20 FI. 114.60 FI. 114.60 FI. 135.90 FI. 135.90 FI. 143.10 FI. 143.10 FI. 143.10 FI. 143.10 FI. 143.10 FI. 143.10 FI. 143.10 | Dec Mar Jan | Close 2277.5 2320.5 2339.5 2339.5 volume 5073 lay's Open lot | 2304.0 2324.0 2324.0 | 2278.6 2378.0 2378.0 | 233 235 237 |
| TC | FL.75 | 105 | 0.70 | 81 5 118 252 | 230 | 23 | 3.70 | 1 875 | | | | | |
| | FI.33 FI.125 | 29 | 2.46 2.30 1.10 | 1 4 | 320 620 | 10 10 | 3.90 3.50 9.50 | FI. 52.60 FI. 52.60 FL 124.60 | Soot. 1.5790 | 1-mth 1.570 | | 6-565 1.5326 | 12 a 1 4 |
| | FI. 125 FI. 80 | 124 117 | 盟 | 46 17 240 | 1340 | 13 | 9.50 4.80 | (F1, 124.60 1 FL 80.20 | BEH-STE | LDIG St pe | E | | |
| | Fl. 75 Fl. 40 Fl. 40 Fl. 130 | 64 10 54 | 0.50 2.80 5.80 | 669 187 20 | 5 1.50 2.20 3.70 10.30 | 30 145 19 17 | 2.50 3.20 3.80 14.20 | FI. 80.20 FI. 37.50 FI. 37.50 FI. 135.30 | Dec Har Jun | 1.556 1.533 | 1.5522 1.5522 1.5380 | 1,5558 1,5530 | 15 |

| ۱ | Abold C | E 734 | 1 2á | 1 3 36 | l "3" |] ~~š | ! ~ | 1 = | FL 135.90 | |
|---|--------------------------|--|---|--|--|--|---------------------------|-------------------------------|---|---------------------|
| ľ | Abold P | FI. 135 FI. 130 FI. 150 FI. 150 | 48 2 | 3.20 0.40 | 20 467 101 186 81 5 118 252 | 356 | ! = | ! | FL 135.90 | , 188 |
| ı | Akzo C | EI 156 | 331 | Ŏ.40 | 127 | 3.50 3.80 | 77 | 7.10 | FI. 143.16 | |
| ı | Akzo P | 8 15 | 321 22 579 13 105 10 29 23 124 117 | 6.90 | 176 | 2.32 | ' <u>''</u> | | Fi. 143.10 | Estim |
| ı | Amey C | . H. 70 | - 55 | 1 7 22 | 1766 | 830 290 | 33 | 4 | 1 58.50 | Prend |
| ı | Amer P | | 1 "14 | 0.60 1.70 | 1 484 | 1 2 20 | ~ | 1 2 | 1 1 2 2 2 | |
| ł | Amero C | FI. 90 FI. 75 FI. 55 FI. 125 FI. 125 | 1765 | 0.10 0.40 0.40 2.30 1.10 1.10 | 1 % | 3.20 1.80 2.30 2.30 3.20 6.70 | 23 | 3.70 | F1, 58-50 F1, 58-50 F1, 84-70 | |
| ı | BUHRMANK-T C | R 7€ | 770 | 1 6 16 | 775 | 5 3% | i _ | J.72 | 676 | POUR |
| ŀ | DAF N.V. C | 67.66 | 36 | i nan | 353 | 336 | 10 10 13 | 3.90 | F1. 71.50 F1. 52.40 | |
| ļ | DAF N.V. P | FI SK | 26 | 3.30 | 1 -4 | 3 26 | l ıŏ | 3.50 | FI. 52.60 FL 124.60 | So 1.579 |
| ł | N.V. DSM C | ei 19€ | 1 934 | 1776 | וג ו | 1236 | 1 1% | 3.50 9.50 | 1 120 120 | 1.579 |
| i | N.V. OSM P | 8:12 | 124 |] } ** | J 79 | 3.60 | 1 73 | 4.80 | Ft. 124.60 | |
| l | Elsevier C | F1. 80 | 1177 | 1 1-2% | 46 17 240 | J42 | = | 1.00 | F1. 80.20 | |
| ı | Eisevier P | Fi.75 | | 1 | ~~~ | 1 1 2 5 | l an | 355 | F1. 80.20 | |
| ı | Gist-Broc. C | FL 40 | | 0.50 | 1 446 | 1.50 2.20 3.70 | 30 145 | 2.50 3.20 3.80 14.20 | fi. 37.50 | |
| ı | Gist-Broc. P | FL 40 | 77 | 1 2 24 | 107 | 1 6 5% | 1 176 | 1 3 25 | FI. 分弱 | Dec |
| ı | Helmekee C | FI. 130 | | 2.80 5.80 | 1 20% | 12.50 | 19 | 13.00 | F. 13536 | وخالا |
| ľ | Heinekes P | FI. 140 | 54 54 44 | 5 5 | 1 # | 10.30 a 7.20 b | 1 4 | تصجم | Fi. 135.30 | Dec Hilar Jun |
| ı | | LI, 140 | 177 | 0.90 | 669 187 20 52 212 104 331 278 111 144 | 1 2 200 0 | 1 12 | 9.70 | Fl. 95.90 | |
| ı | Hoogovens C | FJ. 100 | 161 244 | 4.60 | 1 444 | 6.40 7.60 | 12 42 14 14 4 | 7.79 b | FI. 95.90 | |
| ı | Hoogevers P KLM C | FL 100 FL 55 FL 55 FL 55 FL 55 | 144 | 1 2.90 | 227 | 14.99 | أحدا | 1 - 12 0 | FI. 73.70 | i – |
| ı | KLM P | 다.꿡 | | אַבּאַן | 22% | \$ 70 . | 1 72° | 4.10 3.70 b | FL 52.60 Fl. 52.60 | ! |
| ı | KNP C | 다끊 | 401 | 0.30 2.60 0.10 1.80 | <i>11</i> 0 | 240 340 b 130 | 1 42 | 3-70 B | P1. 32.00 | 11 |
| | KNP P | 닭멅 | 17 | ᆘᄴ | ## | الإحدا | -72 | 2.40 4.60 | 김 왕의 | 11 |
| ١ | NEDLLOYD C | 닭꿦 | -33 | 1 1-50 | 1 277 | 8.70 | 1 2 | 14.00 | 71, 22,20 | 11 |
| | MEDILLUYDG | F1.94 | 112 | 1 2 72 | ᆝᅅ | 6./y | = | [_ i | CI. 2/20 | 11 |
| ı | NEDLLOYD P | F1. 100 F1. 270 | Trea | 1 2-32 | # | | = | | FI. 53.50 FI. 53.50 FI. 97.50 FI. 97.50 FI. 259 | 116 |
| | NMB C NMB P | FI. 2/U | 24 281 19 43 313 165 34 195 | 4.50 3.10 0.90 11.50 2.10 | 1.42 | 4.80 0.50 2.80 | = 1 | ; - i | FI. 477 | 112 |
| | NMD P | F1. 270 | -22 | hr 3% | 1112 | 1 4 52 | ī | 7 | FL 259 F1. 71.50 F1. 71.50 F1. 49.50 | 117 |
| | Nat.Ned. C Nat.Ned. P | Er (0 | T20 | ر سے | 144 | 17-9V | | 1 - 1 | FI. /1.30 | (t . |
| | Phillips C | F1. 70 F1. 65 F1. 50 F1. 50 | 770 | 0.70 | .22 | 19-20 | 177 | 4 | FI. (120 | 1 1 <i>2</i> |
| | | 답값 | <i>1</i> | ן מיט ו | 1002 | احمثا | 171 59 | 4.10 | F1. 49.50 | 11 ^ |
| | Philips P | F1, 20 | 729 27 853 | 1 | 61 22 28 118 117 80 683 148 347 | اتموءا | - 25 | استوا | F 7/7 30 | } } : |
| | Royal Dutch C | LP 126 | وحو | l 4 | 24/ | 5.80 | | 1 - 1 | Fi. 147.20 | 1 L . |
| | Royal Dutch P | P1, 160 | | I | 42 | וטו | - ' | ı – 1 | FL 147.20 | 111 |
| | Robeco P | 다밴 | .40 | بييبا | ~- | 1 (| 17 | 12.5 | FI. 112.60 | 11] |
| | Valleyer C | FL 150 FL 160 FL 110 FL 160 | 169 | 먪 | 360 772 | 5.89 | n n | 9.10 | Fl. 158.30 | 11 |
| | | | | | | | | | | |

F1.160 117 | 250 | 172 | 550 | -- | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7-10 | 7 TOTAL VOLUME IN CONTRACTS: 32,151

* B>BM C=Call P=PM

Prev. 3-16 4-16 Ptes. Prev. 6-05 6-00 LEGAL NOTICES OF THE MATTER OF COMPRISIO (CYPRUS LIMITED AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113 NOTICE is hereby given that the creditors of the shove-named company which is being voluntarily would up are required on or before the 10th day of November 1989-to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names, and addresses of their solicitors (if any) to the undersigned fer Antoniy Hall Roussus, FCGA of Julia Houss, 3 Themistocker Devik Street, P O Box 1612, Nocela, Cyprus, the Squidstor of the said company, and it so required by sotice in uniting from the said Squidstor, are personally or by their solicitors, to some in and place as shall be appelled to such notice, or in detarf thereof they will be accluded from the benefit of any distribution made before Dated this 19th day of October 1982

BUSINESS SOFTWARE

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CROSSWORD

FINANCIAL TIMES TUESDAY OCTOBER 10 1989

Our 1987/88 Managed Account yielded a profit of

40.54% NET

Our 1988/1989 Managed Account yielded a profit of

24.80% NET

The Audited 1st 1/4 of our

1989/90 Managed Account yielded a profit of

48,33% NET

INTERESTED?

PETLEY & COLTD

YOUR ONLY OPTION FOR FUTURES

2 Edichurgh Gate, Knightsbridge, London SWIX 7NA.

OBITUARY

CLUBS

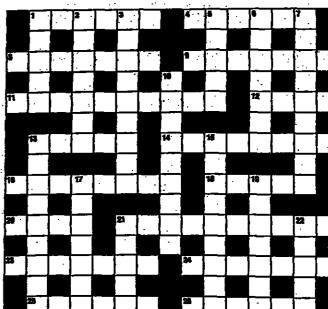
JOTTER PAD

policy on fair play and value to Supper from 10-3.30 am. Disco-musicismo, glamorous hosterase Roorshoves. 01-734 0557.188, Fis

Specialist 01-225-3011 Memb

Tel (Day)

No.7,059 Set by QUARK



ACROSS
1 Directions prepared about the established church (6)

4 Dog selected from a variety of beasts (6) 8 Stuck out? (7) 9 Change clain currency (7)

11 One actor's art could be swell (10) 12 Worry preceding work perhaps (4)
13, 14 Not disturbing the pro-

tective layer (5,8) 16, 18 Sometimes act es acts as if he's

soft the pip? (8,5)
got the pip? (8,5)
The-raiser returning in Florence? (4)
Studies quality round the north having inhibition (10)
Have regard in the main for a learner? No, top man in the main for the main (7) Corporation's silly ban

about roof structure (7)
25 Dull way to get away for fishing (3,3)
26 English vessel in general is the holder of deeds (6)
DOWN

1 Aerofoli going round either way? (5) 2 Set thrown in lake makes a

MONEY MARKETS

London rates firm

AN UPWARD move in wholesale money rates in London reflected concern about the weakness of sterling. Similar conditions in Frankfurt shortage of \$150m, but revised were largely technical and were not accompanied by the same amount of nervousness.

Three-month sterling interbank rose to 15-14% from 14% 14% per cent, but suggestions that the UK authorities had given up the battle to hold the pound above DM3.00 meant

UK clearing bank base leading rate 15 per cent from October 5

that there was no strong pres-sure for another increase in bank base rates.

West German call money rose to 7.95 from 7.85 per cent, leaving it only slightly below the Bundesbank's 8 per cent Lombard rate. The latest available figures on banks' reserve holdings look extremely high, at DM83.3bn on Thursday, against an expected average requirement for the month of about DM56bn.

This was because banks borrowed very heavily against their Lombard facilities, before Thursday's rise in official interest rates. Repayment of this money may have taken Friday's reserve figure down to as low as DM50bn, leading to a

this to £100m at noon. The authorities did not operate in the market to buy any bills, but provided late assistance of around £45m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury hills drained £780m, with bank balances below target absorbing £220m. These outweighed Exchequer transac-tions adding £350m to liquidity and a fall in the note circulation of £505m.

In Paris the Bank of France tightened credit conditions by allocating only FFr59.8bn at yesterday's securities repur-chase tender. This failed to completely offset FFr72.7bn draining from the banking system today, as previous pacts expire. The central bank satisfied 28 per cent of bids, at its new intervention rate of 9.50 per cent announced last Thurs-day.

On Liffe short sterling weak-ened as the pound fell, but finished above the day's low, as traders became increasingly sceptical that the UK authorities will sanction another rise in base rates. December delivery touched a low of 85.24 and sed at 85.32, compared with 85.41 previously.

FT LONDON INTERBANK FIXING (11.00 a.m. Oct.9) 3 months US dollars

The fixing rates are the arithmetic mesas rounded to the nearest one-stateenth, of the bid and offered rates for \$10a

MONEY RATES **NEW YORK** Treasury Bills and Bonds 7.60-7.80 93-94 74-75 8-81 34-56 122-13 7.65-7.85 94-97 7.80-8.00 94-94 8.00 9.50

| LONDON MONEY RATES | | | | | | | | | | | | |
|--|------------------------|-------------------------|---|--|--|--|--|--|--|--|--|--|
| Ge£9 | Overnight | 7 days notice | One Mouth | Three Months | Six Months | Que Year | | | | | | |
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one-month 14th per cert; three months 14th per cent; Treasury Bills; Average tender rate of discount 14.5757 p.e. ECGD Fined Rate Starling Export Finance, Make up day September 29, 1989, Agreed rates for period Benber 25 in Movember 25, 1989, Scheme It 14.82 p.e., Schemes It 4.11: 15.27 p.e. Refurence rate for period Sent period Sent 1,1989 to Sent 27, 1989, Scheme IV4V: 14.018 p.e. Local Authority and Finance Houses seven day? notice, others series day? liked. Finance Houses Base Rate 14 from October 1, 1989; Bank Deposit Rates for some at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit 1,00,000 and over held under one month 1012 per cent; one-three months 12 per cent; three-six months 12 per cent; six-nige months 12 per cent; one-three months 12 per cent; under six months 12 per cent from May 25,1989, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

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| idae & Cosser | 14 | Comm. Bk. N. East | | Horthern Bank Ltd |]4 |
| illied Trust Basik | 15 | Co-operative Bank | | Horwick Gen. Trast | 35 |
| Ulled Irish Bask | 15 | Costis & Co | 15 | PRIVAThanker Limited | 15 |
| enry Austracher | 15 | Crores Postelar Bk | . 15 | Provincial Bank PLC | 16 |
| issociates Can Corn | 14 | Outstar Bank PLC | 15 | R. Raphael & Sors | 15 |
| athority Bank | 15 | Duncas Laurie | 15 | Rouburghe G'rantee | 15 |
| & C Herchant Bank | 15 | Equatorial Bank pic | 15 | Royal Bk of Scotland | 15 |
| tank of Baroda | 14 | Exeter Trast Ltd | 1512 | Rojel Trest Bank | 15 |
| lanco Bilbat Viacate | 15 | Fasancial & Gen. Bank | 15 | ● Senith & Willesse Secs | 35 |
| ank Hancaline | 15 | First National Sank Pic. | 16 | Santani Charlenni | 35 |
| lands Credit & Comess | 15 | © Robert Fleming & Co | 15 | TSB Veited Bk of Kowait | 14 |
| ank of Cypres | 35 | Robert Fraser & Ptors | 15½ | United Bk of Kowait | 15 |
| tank of Ireland | <u> 15</u> | <u> </u> | 15 | United Microbi Bank Unity Trust Bank Plc | 15 |
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| lank of Scotland | 15 | HFC Bank plc | <u> 15</u> | Western Trass | 15 |
| langne Belge Lid | 14 | • Hambros Bank | 15 | Westpac Bank Corp | 15 |
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| eechmark Bank PLC | קֿו | Heritable & Gen tor Bak. | ᄗ | TOTSERY BEEK | כנ |
| rit Sk of Mixt East | ñ | • Hill Samuel | 笳 | | |
| rown Shipley | <u>15</u> | C. Hoare & Co | 15 | a Hardan of Baltick Ha | |
| usiness litter Bank PLL | 725 | Heaghtony & Shangh | 먑 | Members of British Mem Countries III | |
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CLASSIFIED ADVERTISEMENT RATES Per line (rbh.3 liner 2 14.60 12.50 10.00 14.50 13.50 10.00 10.00 13.50 single col cm (min.3 cms) 2 48.00 43.00 35.60 51.00 46.00 35.50 46.00

FINANCIAL TIMES

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recovery (5,2) 3 Plant horse-power goes up, having remarkable effects

5 State tendency initially to 5 State tennency initially to turn away (5) 6 Become suddenly tense (applies to one's resolve?) (7) 7 One with a tale getting about quite a bit (9)

10 Gaining fin to grip at sea (9)
13 Began without aim and without limits (4-5)
15 Not possible to get change

here (9)
17 Bit of yule log (fir) done up to celebrate (7)
18 Ardent, losing head; Jack

comes in and becomes

resentful (?)
21 Stroke of the pen (5)
22 This relative is in France we hear (5) Solution to Puzzle No.7,058

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| | FINANCIAL TIMES | TUESDAY OCTOBER | 10 1989 | | | | |
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| iome Bonds | 92.62 | 92.59 | 92.51 | 92.59 | 94.15 | 87.35 (23/3) | (9)20(89 | • | 7/32) | AUSTRIA Credit, Aktien (30/12/84) | 510.10 | 505.66 | 502.24 | 494.71 | 510.10 (9/10) | 219.5 (2 |
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| amposite : ndustriais | | 358.7b 409.22 | | - | (9/10) | 275.31 CV1) 318.66 | 357.50 (9)10/39 410.49 | ง ญี่ | .40 6/32) 62 | PRANCE CAC Seneral (31/12/82) had, TensancrGB/12/88) | 560.2 127.8 | 555.0 127.1 | 550.6 125.9 | 550.1 125.7 | 560 2 19/10) 127.3 19/10) | 417.9 (4 97.5 (27 |
| | | | | | (9/10) | (3/11) | (9/10/63 | 9 121, | M25 | CERMANY | | | | | i | |
| Taurcial | 35.24 | 35.14 | 35.09 | 35.18 | (3/10) | 24,30 (3/1) | 35,24 (9/10,89 | 1 (L/) | 1.64 1.0/740 | FAZ Alelen (31/12/58) Commercianic (1/12/53) DAX (30/12/87) | 687,25 2050,3 1639,55 | 684.38 2044.4 1624.86 | 678.43 2027.5 1616.21 | 678.89 2028 9 1613.27 | 697.25 (9/10) 2052.1 (8/9) 1467.61 (8/9) | 535.78 (2 1595.7 (2 1271.70 (|
| MSE Composite | 199.34 | 198.94 | 198.05 | 197,9 | 1 (9/10) | 154.98 (3/1) | 199,34 | | L46 (4)42) | HONG KONG | 1037.20 | | | | | |
| poez Mitz, Valot | 3%.52 | 395.93 | 394.43 | 394.30 | | 305.24 (3/1) | 396.52 (9/10/89 | 2 | 9.31 12/72) | Hang Seng Bank (31/7/64) | ഥ | 2826.21 | 2803,17 | 2794.39 | 3309.64 (15/5) | 2093.61 |
| IASDAQ Composite | 415.73 | 483.64 | 480.66 | 479,3 | | 378.56 CVD | 485.73 | 5 | 1.87 1.072) | IRELAND ISEO Orgali (4/1/88) ITALY | 1786.43 | 1778,36 | 1776.64 | 1778.54 | 1848.93 (10/8) | 1360.64 (|
| | | | | | <u> </u> | | • | | <u> </u> | Banca Com, Ital, (1972) | 693.08 | 690,22 | 694.53 | 699.04 | 734,84 (31,8) | 577.49 (|
| iow industrial Div. | Ylekt | | # 6 62 | Sep 3 | | p 22 1.75 | year ago | .60 .60 | 1002.1 | JAPAN Nikel (16/5/49) Tokyo SE (Tapik) (4/1/68) | 25376.35 2673.56 | 35209.35 2659.38 | 35522_99 2676_99 | | 35689.98 (28/9) 2703.58 (2/10) | 30183.79 2366.91 |
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| & P industrial der & P indi. P/E rat | | | .90 | 14 | | 1.87 4.49 | | 19 3.03 | | CBS TU. Rrs. Gen. (End 1983) CBS Ali Sir (End 1983) | 269.8 207.5 | 270.1 207.7 | 268.6 206.5 | 268.2 206.2 | 272.7 (21/9) 210.5 (8/9) | 208.3 C 166.7 C |
| NEW YORK | ACTIV | FSTC | CKS | | TRADIN | 3 ACTI | VITY | | | NORWAY Osio SE (2/1/83) | 682.08 | 686,62 | 685.00 | 687.52 | 695.50 (28/9) | 467.17 |
| Aonday | Stocks traded | Closing | | 38 | † Volume | | E/IIII IQ | | ict 5 | Hanila Comp (2/1/85) | 1242.99 | 1216,45 | 1159.21 | 1121.83 | 1242.89 (9/10) | 804.62 (|
| | ,650,400 | 524 | + 35 | <u>-</u> | New York | 85. | BIO 172 | | 77 890 | SINGAPORE Straits Times (m), (30/12/66) | 1420.18 | 1413.15 | 1404,98 | 1408 26 | 1420.52 (13/9) | 1030.69 |
| ompaq Comp 1 | ,310,100 ,240,700 ,240,600 | 1043 1045 | - 64 + 64 + 3 | | Amex KASDAQ Issues Traded | - | 106 I5.1 W) 155.1 155 I.4 | | 15.616 51.092 1,959 | SOUTH AFRICA JSE Gold (28/9/78) JSE todastnal (28/9/78) | 6 | 1557.03. 2692.04 | 1609.0 2711.0 | 1620.0 2724.0 | 1710.0 (27/9) 2838.0 (25/8) | 1291.0 (1 1961.0 (1 |
| Sec Col : | ,138,700 ,105,300 | 244 354 | + 3 | | Rises Falls | - | 597 544 | 767 656 | 736 732 | SOUTH KOREA** Korea Comp Ex. (4/1/80) | <u> </u> | 922.85 | 925,11 | 929,28 | 1007.80 (3/4) | 846.30 |
| T&T] | ,085,700 ,000,200 | 134 434 | - ï | | Uschanged New Highs | ! | 88) | 527 150 | 491 129 | SPAM Madrid SE (30/12/85) | 323.03 | 323,20 | 323.31 | 324.62 | 328.93 (13/9) | 268.61 (|
| eser Med bearon Corp | 980,900 935,800 | 237÷ 65 | - 1 | 1 | Herr Lows | | 19 | 24 | 23 | SWEDEN Jacobson & P. (31/12/56) | 4378.4 | 43720 | 4370.7 | 4283.7 | 4660.3 (16/8) | 3333.9 (|
| NAMA DC | | | | | | | | | | SWITZERLAND Swis Bast Int. G1/12/50 | 813.3 | B11.0 | 807.4 | 799.3 | 829.1 (6/9) | 613.1 0 |
| CANADA ORONTO | 4 | , Act (|)et | Oct | Oct | | 1939 | | | TAIWAR** | - | | | | | |
| CHOILIO | | 7 (| | 5 | 4 | HIGH | 1903 | LOW | — | Weighted Prior (30/6/66) | 9966.58 | 9545.85 | 9317.76 | 9669.94 | 10773 11 (25/9) | 4873 OL |
| letals & Alinerals | | | 748.9 | 3781.6 | | 3919 2 (1/9 | | 207.5 C | | THAILAND Bangkok SET (30/4/75) | 690.7B | 688.56 | 688.00 | 680.63 | 724.93 (13/9) | 386.73 (|
| ANTOCAL COMMAN | | | _ | 4023.1 | | 037.8 (6)3 | | 350.5 (6 | _ | WORLD M.S. Capital 1841, (1/1/70) | (12) | 543.6 | 546.5 | 547.5 | 551.2 (3/8) | 487 6 🗅 |
| ONTREAL Porticili ase values of all prouto Composite 3. † Excluding by | indices an | 100 ex | cept NY | SE AU (| Common = 50 | : Standard 75 and Mc | and Poor | 77.48 ('s = 10; rtfolio | and | | t. 7: Talw tion. 100 reces | ac Weighte | d Price: 91 SE. 25ED (| 871.86. Ko Duezali and | rea Comp Ex. 922-6 | 7. Gold – 255. |

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Dow reaches all-time high in quiet holiday trading

Wall Street

AFTER DRIFTING lower during the morning session yester-day, equities picked up and ended at another all-time high in extremely quiet business with many traders away for Columbus Day and Yom Kippur holidays, writes Janet Bush

The Dow Jones Industrial Average closed 5.89 points higher at 2,791.41. It was one of the quietest trading sessions of the year, with only 87m shares

The Dow Jones Transportation Index again outperformed, rising 13.87 points to 1,518.49. The airline sector again accounted for this strength, with more takeover specula-tion. This time, USAir was in focus, after a US newspaper report that Steinhardt Partners, which owned an 8.3 per cent stake in the company, had hired a Wall Street brokerage to explore a range of possibilities which boost the price of the stock. USAir rose \$31/4 to

AMR, the parent company of

American Airlines, added \$1% to \$104%. Some shareholders were reported to have said that they wouldn't necessarily back the "just say no" defence of company chairman, Mr Robert Crandall, against the \$120 a share offer announced by New York real estate developer. Mr York real estate developer, Mr Donald Trump.

Among other airlines, UAL rose \$1% to \$284% and Delta

added \$1% to \$81%. Apart from airlines, the market was dull, and it will be difficult to discern underlying sentiment after last week's surge to all-time highs until

full-scale trading resumes

The mild profit-taking which emerged yesterday was not surprising, given the gain in the Dow Jones Industrial Average last week of more than 90

There was little obvious reaction yesterday to an apparent easing by the US Federal Reserve. The yield on the Treasury's benchmark long bond dipped to just below 8 per cent, in response to an easing in the Fed Funds rate to 8H per cent.

The Fed drained liquidity

nevertheless moved well below 9 per cent, suggesting that there had been an easing move. The Fed is believed to have decided to ease as part of a Group of Seven agreed package aimed at driving the dollar down. The easing appeared to coincide with interest rate rises in Europe.

The dollar remained steady

yesterday, trading quietly in mid-range at the New York

Among featured stocks yes-terday, American Medical International added \$% to \$23%, after the company agreed to a lower bid from IMA Acquisition, an investor group including a Pritzker familybacked leveraged buy-out com-pany and First Boston. The offer has been reduced by \$1.50 a share to \$26.50.

Bolar Pharmaceutical dropped \$1% to \$20% on the American Stock Exchange after the company began a vol-untary recall of an anti-infective drug. Canada was closed for the

Thanksgiving holiday.

World unmoved by struggle of the giants

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By Alison Maitland

THE US and Japan joined battle for the world cup last week but the struggle between the heavyweights

ended in a nil-nil draw. An ebullient US stock market, propelled by encouraging economic news and an irre-pressible dollar, was neverthe-less unable to do more than counterbalance the depressing effect of Japan's currency-inspired slide.

With the US rising 2.8 per cent over the week and Japan falling 24 per cent, the FT-Ac-tuaries World Index ended unchanged on the week. Excluding the US, the World index fell 1.2 per cent, but excluding

Japan it rose 1.8 per cent.
The American performance,
which kicked off the final quarter of the year with four con-secutive records on the Dow Jones industrial Average, was initially inspired by the strength of the dollar and the bond market.

As the week progressed, there was further fuel from takeover activity in the airresilience, suggested to some analysts that interest rates could come down

The fallout for the yen from last week's dollar strength was the main reason for Japan's weakness, with the West German-led round of interest rate rises in Europe on Thursday setting off a bout of nerves about whether the Bank of Japan might follow.

it was not all bad news for the market, however, a lot of the attention switched to smaller stocks and the second section of the Tokyo exchange hit a record high.

The rate rises in Europe

were positively welcomed by most continental bourses, with West Germany climbing 3.4 per cent during the week, Switzerland up 22 per cent and France rising 1.2 per cent. The watch-word was relief that the longawaited increase was finally out of the way.

The opposite was true of the UK, where shares declined 1.3 per cent over the week as base rates climbed to 15 per cent. Its divergence from the Continent is shown in a mere 0.2 per cent

than expected employment rise for Europe as a whole. growth which, with the dollar's resilience, suggested to some gained a healthier 1.3 per cent. The Pacific region had another positive week, if Japan is removed from the equation. While the Pacific Basin including Japan fell 2.1 per cent, the region without Japan gained

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2.6 per cent.

Hong Kong, though hesitant, had four rises in a row and ended the week 2.6 per cent higher at its best levels since the turnoil in China began in May. Singapore put on 2.6 per cent, helped by Japanese interest in the property sector, while Australia closed with a week's gain of 2.8 per cent thanks to enculative activity thanks to speculative activity

in the banks.

The worst loser was South
Africa, which fell 3.8 per cent under the combined pressure of a strong financial rand through which foreigners have to invest - a gold bullion price depressed by the firm dollar, and a weak UK market.

Italy was also in the dol-drums, losing 2.4 per cent under the weight of cash calls and a disappointing start to trading for Enimont, the chem-

Vigour and high volume in West German blue chips

number of Continental markets vesterday as they failed to match the vigour of their West German pacemaker, writes Our Markets Staff.

FRANKFURT climbed further, with huge volume in its two most actively traded stocks, on the conviction that West German interest rates have peaked. The FAZ index rose 2.87 to 687.25 at mid-session and the DAX made its sixth consecutive gain to close 14.69 higher at 1639.55. Volume eased only slightly, from DM6bn to DM5.7bn. Domestic and foreign buying

put big volume into Deutsche Bank, and Volkswagen. Banking stocks rose as interest rate fears subsided but the Deutsche, a blue chip with entrepreneurial tendencies, gained its DM9 to DM710 in turnover of DM990m. Commerbank, fourth in the charts with DM290m, was DM4 higher at DM277. Volkswagen, second in vol-me with DM734m, led car

makers higher with a jump of DM18.20, or 4 per cent to DM482.20 on speculation by London brokerage houses about its 1989 earnings pros-

Siemens, third in the charts, climbed DM8 at the opening amid several large buy orders from London, fell back on profit-taking and closed DM5 better

at DM612.
PARIS ended marginally lower, but there were some striking performances from individual stocks.

Eurotunnel continued its slide, losing FFr7.75, or nearly 13 per cent to FFr53 in active trading after announcements in London and Paris. The group said it might need up to £1.5bn in new bank financing to complete the tunnel; and in Paris it announced that there could, therefore, be a delay in its first dividend payment, due in 1995. The shares reached a peak of FFT126.90 last July. Thomson-CSF, on the other

hand, rose FFr4.20 to FFr181.30 on a combination of bargainhunting and interest in the possibility of a joint bid with British Aerospace for the trou-bled Ferranti group. Thomson is seen as a trading stock, and

The World Index (2407)... 154.23 +0.1 144.81 146.84

last week it fell FFr5 on disap-

Management, the UK portfolio manager, had sold a 6.6 per

1.58 at 534.87 and the opening CAC General index reached a record high of 560.2, up 5.2. Turnover was thought to be modest at around FFr2.5bn.

thin volume, but ended below its best as a queue of rights issues continued to weigh down the market. Sentiment was boosted by the news that the shares of the scandalrocked Banca Nazionale del Lavoro (BNL) are likely to be re-admitted for trading on Thursday of this week.

quiet, with nervous eyes turned to London and the falling pound. The CBS tendency index closed 0.2 lower at 197.7. Fokker was a rare mover, adding 50 cents to Fl 50, partly on news of a single aircraft order from the Japanese regional airline Nakanihon. Fokker also said it expected USAir to turn five options for F-100 twinjets into orders, while KLM is to convert three

BRUSSKLS was mixed to lower on the last day of the depressed by fears over interest rates and the dollar. The cash market index rose 9.74

lation about the company's future. Volume was high at

pointment over a decline in

ing company with insurance interests, was up FFr15 at FFr1,470 and actively traded. The state-owned Assurances Generales de France said it had raised its stake to more than 7.5 per cent; earlier, the stock exchange said Mercury Asset

Cobepa, the holding company, gained BFr10 to BFr6,300 after announcing a strong rise

Navigation Mixte, the hold-

MILAN rose 2.86 to 693.08 in

forward market account,

first half profits.

points to 6,710.06. However, Groupe AG, the insurer, advanced BFr525 or 3.8 per cent to BFr14,500 on specu-

The OMF 50 index was down

AMSTERDAM was very

options on F-50s into firm

4,000 shares. The company's price has risen 51 per cent since the beginning of September.

MADRID dribbled on downwards, with lower volumes indicating that caution has taken hold of the market in the run-up to the elections on October 29.

Investors are also waiting for money supply and inflation fig-ures, due this week and next, for a clearer idea on whether the Government will be able to ease monetary controls. The general index lost 0.17 to 323.03 and volume was esti-

mated at \$80m.\$90m.
STOCKHOLM recovered from early losses to close marginally higher in moderate trade as sentiment firmed. The Affärsvärlden General index rose 0.7 to 1,295.1. Turnover improved to SKr285m from Friday's SKr244m.

The market was encouraged by strong gains by Alfa-Laval, the engineering group. Its free Bs rose SKr6 to SKr180 after the company revealed a 50 per cent rise in pre-tax profits with Automotive shares were in strong demand. Volvo topped the actives with turnover worth SKr30m. It climbed SKr6

to SKr491 in early trading after the company said its truck division had achieved a foothold on the Japanese market through a deal with Izuzu, but fell later back to SKr484. OSLO eased, investors appearing cautious about taking fresh positions before the

bour Government's budget on Thursday. The all-share index fell 3.83 to 527.08 in modrate trading worth a total of NKr216m. Aker, the engineering and construction company, rose NKr2.50 to NKr121.50. It

revised its profits forecast up NKr50m to NKr550m and said it planned to buy cement-mak-ing units abroad with money raised through an issue of non-voting shares to foreign

HELSINKI prices rose after falling every day last week. Domestic interest rates fell slightly from Friday's record The Unitas all-share index rose 0.5 per cent or 3.2 to 680.8.
Johannesburg was closed for

burg was closed for

Yen's recovery shakes off investors' worries machines, was third in volume with 18.3m shares. It closed up INVESTORS took heart from Y60 at Y2,200 on the strength the yen's recovery and last week's strength on Wall Street,

and shares made a good start to the week, writes Michiyo trading. Nakamoto in Tokyo.

The Nikkei average climbed steadily yesterday, encouraged by the strong performance of the yen, and the bond market. Against a high of 35,405.20 and a low of 35,229.71, it closed 167 higher at 35,376.35. Advances outnumbered declines by 549 to 411 while 173 issues were

Turnover fell to 709m shares from the 737m traded on Friday. The Topix index of all listed shares climbed 14.18 to 2,673.56, but in London the ISE/ Nikkei 50 index eased 0.44 to

2,049.19. The yen's moderate improvement yesterday came as a relief to Tokyo investors, who have been under the demoralising influence of currency and interest rate worries for quite some time. However, it is still believed that the dollar will show greater strength in the long run and fears of rising interest rates remain acute. Yesterday's low volume

Tokyo

unchanged

reflected these concerns, as well as a general reluctance to take up positions before today's national sports day holiday. The consensus was that prices would slip as soon as the yen started falling but that investors would be keen to come back in and pick up bargains in that eventuality.

Most investors who were in
for the day chose to pursue quick profits in highly priced

issues, especially those with good earnings. Yesterday saw evidence that dealers have been working hard at spreading the chase to big companies, like Toyota, the car maker, which rose Y170 to Y2,610. This was the first gain in four days for Toyota, which drew support not only from its strong business performance, but also for its low price/earnings ratio. The speculators also went after highly-priced precision industry and high-technology issues, which are not unduly sensitive to interest rates. One such company, Fuji Film, topped the volumes list with 20.1m shares. Fuji has been favoured recently for its high earnings, low p/e ratio and a scrip issue which is set for

October 20. Fuji rose Y270 to a new high yesterday of Y5,550. Amada, the leading manufac-

136.68 127.54

of good earnings. TDK, the maker of magnetic tapes, surged Y710 to Y6,620 in active index closed a mere 0.3 higher

Meanwhile, the planned acquisition of Columbia Pic-tures by Sony brought takeover fever to the audio sector. Sony, another high-priced, good business performance issue, posted a strong gain of Y770 to Y9,380. Japan Victor, an audio maker which has diversified into other consumer electronics, gained Y200 to

Highly-priced electricals kept the buying strong in Osaka and the OSE average surged 278.53 to 36,521.25. Volume, however, dropped to 70.3m shares from the 72.2m traded on Monday. Omron Tateishi ctronics, one of the recently popular Kansai-based issues, advanced Y210 to Y3,960.

Roundup

HOLIDAYS in Hong Kong and A\$1.01, while Bond Media fell 2

turer of metalworking South Korea lowered the market temperature elsewhere, and the Pacific Basin put up a mixed performance yesterday.

AUSTRALIA held on to its hiatus as the All Ordinaries

> at 1,773.2. Turnover slumped to 76m shares worth A\$116m from 111m worth A\$169m on Friday. Apart from the effect of holidays elsewhere, the Australian dollar gained nearly half a cent to around US\$0.7830 by the close of share market trading, and this discouraged offshore

Bond Corp fell 2 cents to 29 cents amid uncertainty about the timing of its results. Bond had said that the delay in preparing the overdue report may affect the timing of its formal offer for its associated com-pany Bell Resources.

Meanwhile, Australia's National Companies and Securities Commission said that Bond should complete its audit without further delay. Bell cents to 25 cents and Bell Group, another Bond associate,

SINGAPORE closed before the news of Premier Lee Kuan Yew's decision to hand over to his deputy - at the end of next year - hit the streets. It closed slightly lower, but only in terms of the Straits Times industrial index, which eased 0.37 to 1,420.18.

Share prices were reported generally as climbing, and clos-ing firmer in spite of some profit-taking. Falls in some index-component stocks pushed the STI lower, but the broader market saw gains leading losses by 154 to 50 and the all-share index rose 1.84 to 372.93. Volume fell to 88.9m shares worth S\$202m from 93.2m worth \$\$186.2m in the previous session.

NEW ZEALAND fell sharply in light trade, affected by mar-ket holidays elsewhere. Sentiment was also dampened by last week's collapse of DFC New Zealand, the investment bank. The Barclays Index lost 25.22 to 2.293.50 in turnover 2m shares lower at 9.1m.

MANILA took last week's rise further, as new positions were taken in the commercial sector, and dealers said that more local investors are coming in. The composite index rose 26.44 to 1,242.89.

Shares in the commercial sector were boosted by the expected listing of a special Philippine fund on the New York Stock Exchange next month. The Philippine Securities and Exchange Commission (SEC) is reviving the operation of mutual fund companies in the country after about a 20-year absence as part of its campaign to develop the domestic

capital market. Mutual fund operations have been banned in the Philippines since the mid-1960s, when small investors started complaining about fly-by-night

operators TAIWAN chalked up a further recovery as the weighted index finished 94.72 higher at

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in net profit in the first half of a holiday. FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | | MON | IDAY OCTO | DBER 9 198 | 99 | | FRIDAY | OCTOBER (| 1989 | DO | LAR INDE | x |
|---|-----------------------|----------------------|----------------------------|----------------------------|-------------------------------------|-------------------------|-----------------------|----------------------------|----------------------------|--------------|-------------|-------------------------|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross, Div. Yield | US Dollar Index | Pound Sterting Index | Local Currency Index | 1989 High | 1989 Low | Year ago (approx) |
| Australia (85) | 160.41 | +0.0 | 150.61 | 136.08 | +0.0 | 4.85 | 160.33 | 148.33 | 136.12 | 160.41 | 128.28 | 140.77 |
| Austria (19) | 168.63 | + 1.0 | 158.34 | 165,33 | + 1.1 | 1.48 | 167.03 | 154.53 | 163.51 | 168.63 | 92.84 | 89.16 |
| Belgium (63) | 142.66 | + 0.5 | 133.95 | 139.84 | +0.2 | 3.96 | 141.99 | 131.37 | 139.54 | 144.47 | 125.58 | 123.84 |
| Canada (122) | 154.16 | +0.1 | 144.75 | 131.22 | + 0.0 | 3.13 | 154.03 | 142.51 | 131.22 | 154.16 | 124.67 | 123.68 |
| Denmark (36) | 202.12 | + 1.0 | 189.78 | 202.12 | +0.7 | 1.57 | 200.13 | 185.16 | 200.68 | 219.89 | 165.35 | 134.90 |
| Finland (26) | 125.39 | -0.2 | 117.73 | 112.97 | +0.0 | 2.45 | 125.63 | 116.23 | 113.00 | 159.16 | 123.12 | 113.06 |
| France (126) | 139.55 | +0.3 | 131.03 | 140.04 | +0.1 | 2.69 | 139,10 | 128.69 | 139.97 | 139.67 | 112.57 | 100.71 |
| West Germany (97) | 103.84 | + 0.8 | 97.50 | 101.74 | +0.4 | 2.02 | 103.06 | 95.35 | 101.34 | 103.84 | 79.58 | 81.73 |
| Hong Kong (48) | 119.49 | +0.0 | 112.19 | 119.70 | +0.0 | 4.72 | 119.47 | 110.53 | 119.70 | 140.33 | 86.41 | 105.34 |
| Ireland (17) | 162.43 | + 1.1 | 152.52 | 162.15 | +0.9 | 2.73 | 160.70 | 148.67 | 160.65 | 166.69 | 125.00 | 137.84 |
| italy (97) | 92.28 | +0.8 | 86.65 | 95.25 | +0.6 | 2.40 | 91.57 | 84.72 | 94.65 | 96.73 | 74.97 | 76.34 |
| Japan (455) | 184.42 | +0.6 | 173.16 | 166.29 | +0.5 | 0.48 | 183.30 | 169.59 | 165,46 | 200.11 | 164.22 | 159.53 |
| Malaysia (36) | 208.50 | + 1.1 | 195.77 | 216.37 | + 1.1 | 2.45 | 206.20 | 190.77 | 213.98 | 208.50 | 143.35 | 134.86 |
| Mexico (13) | 319.19 | +0.9 | 299.70 | 908.06 | + 1.1 | 0.57 | 316.47 | 292.79 | 898.58 | 321,99 | 153.32 | 152.97 |
| Netherland (43) | 131.72 | +0.2 | 123.68 | 128.08 | -0.1 | 4.14 | 131.50 | 121.67 | 128.20 | 131.72 | 110.63 | 105.05 |
| New Zealand (19) | <u>82.52</u> | - 1.1 | 77.48 | 74.55 | - 0.9 | 4.70 | 83.40 | 77.16 | 75.26 | 88.18 | 62.64 | 72.02 |
| Norway (24) | 182.65 | - 1.1 | 171.50 | 173.23 | - 1.0 | 1.50 | 184.74 | 170.92 | 174.96 | 198.39 | 139.92 | 115.50 |
| Singapore (26) | 167.54 | +0.6 | 157.31 | 151.87 | +0.5 | 1.94 | 166.50 | 154.04 | 151.04 | 170.62 | 124.57 | 118.12 |
| South Africa (60) | 157.13 | -0.4 | 147.53 | 132.10 | +0.0 | 4.34 | 157.73 | 145.93 | 132.10 | 160.24 | 115.35 | 107.94 |
| Spain (43) | 165.52 | + 0.3 | 155.41 | 149.85 | - 0.1 | 3.48 | 165.10 | 152.74 | 149.98 | 169.75 | 143.14 | 141.75 |
| Sweden (35) | 181.80 | -0.1 | 170.69 | 174.33 | -0.2 | 1.97 | 182.04 | 168.42 | 174.70 | 188.94 | 138.45 | 125.58 |
| Switzerland (64) | 92.16 | +0.2 | 86.53 | 94.01 | +0.3 | 2.01 | 91.93 | 85.05 | 93.75 | 94.16 | 67.81 | 79.40 |
| United Kingdom (306) | 145.58 | -29 | 136.69 | 136.69 | – 1.4 | 4.43 | 149.88 | 138.66 | 138.66 | 158.41 | 133.28 | 131.74 |
| USA (547) | 146.29 | +0.3 | 137.36 | 146.29 | +0.3 | 3.15 | 145.90 | 134.99 | 145.90 | 146.29 | 112.13 | 113.64 |
| Europe (996) | 129.48 | -0.9 | 121.56 | 124.68 | -0.5 | 3.36 | 130.65 | 120.87 | 125.25 | 132.95 | 112.63 | 108.10 |
| Nordic (121) | 168.50 | +0.2 | 158.21 | 157.61 | +0.1 | 1.80 | 168.22 | 155.63 | 157.52 | 178.38 | 137.95 | 116.98 |
| Pacific Basin (669) | 181.02 | +0.6 | 169.97 | 163.28 | +0.5 | 0.73 | 179. 99 | 166.52 | 162.52 | 194.72 | 160.44 | 156.54 |
| Euro — Pacific (1665) | 160.51 | +0.1 | 150.71 | 147.78 | +0.2 | 1.59 | 160.38 | 148.38 | 147.52 | 166.98 | 141.56 | 137.20 |
| North America (669) | 146.66 | +0.3 | 137.70 | 145.34 | +0.3 | 3.15 | 146.28 | 135.34 | 144.98 | 148.66 | 112.79 | 114.17 |
| Europe Ex. UK (690) | 118.51 | +0.5 | 111.28 | 117,11 | +0.2 | 2.64 | 117.96 | 109.13 | 116.84 | 118.51 | 96.30 | 93.31 |
| Pacific Ex. Japan (214) | 140.05 | +0.1 | 131.50 | 125.37 | + 0.0 | 4.51 | 139.98 | 129.51 | 125.36 | 140.05 | 111.93 | 120.50 |
| World Ex. US (1860) | 160.36 | +0.1 | 150.57 | 147.31 | +0.2 | 1.67 | 160.23 | 148.24 | 147.08 | 166.35 | 141.49 | 136.46 |
| World Ex. UK (2101) | 155.10 | ÷0.4 | 145.63 | 147.90 | +0.4 | 1.95 | 154.44 | 142.88 | 147.39 | 156.04 | 136,98 | 127.15 |
| World Ex. So. Al. (2347) | 154.21 | +0.1 | 144.80 | 146 <i>.9</i> 5 | +0.2 | 2.14 | 153.99 | 142.47 | 146.66 | 155.92 | 136.67 | 127.66 |
| World Ex. Japan (1952) | 140.19 | -0.2 | 131.63 | 137.19 | +0.0 | 3.29 | 140.43 | 129.93 | 137.21 | 140.43 | 114.51 | 112.25 |

+0.2

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